

## Chapter 7

### Preparation and Processing of FMS Cases

#### Section 700 -- General Information, FMS Agreements

##### **70001 -- Purpose.**

The purpose of this section is to provide background, definitions and policy which apply to FMS Agreements.

##### **70002 -- Background/Definitions.**

A. **Types of Requests.** FMS customers may request P&A data (for preliminary planning) or an LOA (when plans to purchase defense articles or services are relatively firm). All requests, no matter how informal, must be consistent with the provisions for processing these data.

1. ***P&A Data.*** Price and Availability estimates reflect rough order magnitude data, provided for planning purposes, showing projected availabilities and estimated costs for defense articles or services. P&A will normally be provided within 45 days of receipt of the LOR. P&A data are not normally valid for use in preparation of an LOA. To avoid confusion, the term P&A should not be used in reference to data developed for completion of an LOA, this should be referred to as LOA data.

a. DoD components should ensure that P&A is sufficiently accurate for planning, although not necessarily for budgeting, purposes. For MDE, the cognizant DoD component must assure that approval from DSCA has been received for release. When DSCA approval is provided within five working days of receipt of the request, unless otherwise advised, no further staffing with DSCA is required.

b. Data should not be released without reasonable assurance that an LOA, if requested, would be provided; i.e., the DoD component can recommend release and any further clearances needed, such as Congressional notification or disclosure approval, are obtainable.

c. P&A data for systems will normally reflect the incorporation of standard US subsystems.

(1) In exceptional cases, when requested and justified by the prospective purchasing government and approved by DSCA, P&A data for one or more non-standard subsystems may also be provided, either in lieu of or in conjunction with data for the standard US subsystem. A description of the performance characteristics of the desired non-standard subsystem(s) and supporting justification should accompany the Purchaser's P&A request.

(2) If an IA believes it should modify contractor-furnished data for the non-standard subsystem(s), the IA, when time permits, should expeditiously notify the contractor

of the proposed modification, and contractor comments should be considered prior to the issuance of the data. If warranted, significant differences should be reconciled.

2. **LOA.** The Letter of Offer and Acceptance is the authorized document for use by the USG to offer to sell defense articles and defense services to a foreign country or international organization. The IA will forward LOAs for DSCA countersignature no later than 60 days after receipt of a complete request.

3. **LOI.** Letters of Intent are used on an exceptional basis to authorize expenditures for a relatively small portion of a major LOA which has not yet been implemented. Examples of use might include early purchase of castings or start of training to allow a program to proceed on schedule. Since LOIs entail a risk that the program of which they are part may not proceed, LOIs should be used only when clearly required to allow a program to proceed on schedule and within the projected cost.

**B. Categories of Items and Services.**

1. **Defense Articles and Defense Services.** Categories of defense articles and services are identified in the International Traffic in Arms Regulations (ITAR), Part 121, “*Arms, Ammunition and Implements of War.*” Items thus identified constitute the United States Munitions List (Reference Table 202-1). The import and export of such items is under the control of the Office of Defense Trade Controls, Bureau of Political-Military Affairs, DoS. The munitions list is not all inclusive nor are FMS limited solely to those items.

a. **SME.** Articles in those defense articles and services on the US Munitions List which are preceded by an asterisk are referred to as SME.

b. **MDE.** A US defense article is considered to be an item of major defense equipment when it is identified as SME on the USML and when the USG has incurred either a nonrecurring research and development cost for the item of more than \$50 million or the item has had a total production cost of more than \$200 million. These dollar thresholds encompass all expenditures to date, including both US military services and security assistance requirements. Each DoD component is responsible for identification of MDE items under its cognizance, and for notification of MDE items to DSCA. DoD components will notify DSCA of applicable MDE items by providing information cited in Table 700-1. Once identified as MDE, the item is then recorded on the Major Defense Equipment List (MDEL), which designates equipment for special scrutiny when considered for sale to foreign governments either through foreign military sales or commercial sales channels. See Table 700-6 for the current MDEL.

C. **Standard FMS Cases.** Standard FMS cases are Defined Order, Blanket Order, and CLSSA. These cases generally allow DoD to provide to FMS Purchasers the same kinds of defense articles and services used by US forces. Defined Order and Blanket Order cases are also routinely used to provide hardware or services to support commercial end items, obsolete end items (including end items which have undergone system support buy outs), and selected non-US origin military equipment.

1. **Defined Order Cases.** Most commonly used for sale of items requiring item-by-item trade security control throughout the sales process, items to be provided are stated explicitly on the LOA based on an LOA data study. SME, including MDE, and the related initial support package; explosives, including munitions; specific services; and TDPs are typical of items provided under these cases. Orders are normally placed by the IA following LOA implementation and, unless the IA (ICP head for secondary items) approves issue from stock, customer requirements are filled from DoD procurement.

2. **Blanket Order Cases.** Used for sale of relatively minor, non-SME, items which do not require intensive by-item control, to avoid the need for numerous defined line LOAs and thus reduce administrative burden and order leadtime. LOAs for these cases reflect categories (normally to support one or more end items) with no definitive listing of items or quantities. Scope is limited to described item categories and the Purchaser-furnished LOA dollar value. The Purchaser normally submits requisitions following LOA implementation as requirements occur and, unless the IA, normally at ICP head level, approves issue from stock, requisitions are filled from DoD procurement.

a. Examples of types of non-SME items which lend themselves to BO LOAs include: Spare and repair parts (consumables and reparable); publications (forms, catalog data, manuals, stock lists, reports, books, maps); support equipment (tools, test equipment); supplies (fuel, personnel items, commercial consumable items); maintenance (repair, rebuild, minor modifications or alterations); technical assistance (specialist advice or actions, site survey teams, system integration, item checkout, systems evaluation, study groups to develop engineering requirement plans, technical assistance teams); training (formal or informal); and training aids.

b. Classified materiel (Air Force has been granted an exception); SME, including MDE (Table 700-6) and the related initial support item package; commercial items more readily provided from in-country (e.g., lumber, sand, gravel, household goods); TDPs; and ozone depleting substances (ODS) will not be provided through a BO LOA.

@@@c. Blanket Order EDA sales cases may be established only for non-Significant Military Equipment (non-SME) consisting of spare parts/components, clothing, basic field equipment, and office equipment/supplies/furniture. Blanket Order LOAs for PCH&T may also be written in conjunction with EDA grant transfers of similar, non-SME items. These LOAs must identify the end-item application. @@(E-change 10, 4 February 2000.)

3. **Cooperative Logistics Supply Support Arrangements.** CLSSAs provide, under Foreign Military Sales Order I and II LOAs, for FMS pre-stockage, storage, and consumption for DoD-stocked non-SME items which will be needed by the Purchaser on a recurring basis. Weapon system WCF-managed repair parts are typical of items included. CLSSAs are not to be used for initial provisioning of repair parts. CLSSA LOAs reflect support for end items with no definitive listing of items or quantities, although items and quantities may be negotiated with the Purchaser as part of the CLSSA management process. Scope is limited by the LOA description of end items to be supported and dollar values of the FMSOs I and II which make up each CLSSA. FMSO I and II dollar values are based on the cost of forecasted

requirements for the anticipated period of support. The Purchaser submits requisitions following LOA implementation as requirements occur. Also see 80202.

a. FMSO I LOAs provide for purchase and sustainment of an equity in DoD inventory and pipeline, normally equal to 17 months projected recurring demand. Following receipt of adequate stocks for sustained fill of incoming requisitions (i.e., FMSO I maturity), the FMSO I normally provides for 5 months on hand (FMSO 1A) and 12 months on order (FMSO 1B). The DoD components use this equity investment (capitalization) to procure additional stocks of secondary items, in preparation for Purchaser stock withdrawals.

b. FMSO II complements the FMSO I FMS case and allows the Purchaser to withdraw stocks from DoD inventories and deposit funds for routine FMSO I replenishment. Unless item stock levels are adequate to support all customers, FMSO II case requisitions received prior to receipt of augmentation stock are normally placed on backorder pending maturity of the FMSO I. As augmentation stocks become available, requisitions received under the FMSO II can be filled from stock. Requisitions received for materiel valued in excess of FMSO I investments will normally be treated as BO case requisitions.

c. For items to be supplied by DLA, the IA shall submit to DLA requirements information and the appropriate funds as soon as possible after signing of a new arrangement, or when an arrangement is revised.

d. When items subject to CLSSA augmentation are transferred from one DoD component to another, CLSSA program data and funds will be provided to the receiving component, as mutually agreed, during the transfer process.

e. Performance standards and measurement records shall be maintained by the DoD Components, including DLA, in such a manner that overall effectiveness for supplies provided under CLSSAs can be determined and compared with like US forces in a timely and efficient manner. The standards to be used are to be the same as those used for US forces.

f. Demand records shall be reviewed before excess materiel is transferred or declared surplus. If stockage of excess items resulted from CLSSA requirements, Purchasers shall be notified, in a timely manner, of their liability, along with a request for disposition instructions.

g. @@ When a requirement arises to reduce the level of the customer's investment in the US supply system or to terminate part of all of a CLSSA, action shall be taken to ensure closeout in a manner which minimizes impact on the applicable DoD working capital fund and the customer. CLSSA and other FMS customers pay their share of depreciation and other WCF operating costs during the life of each LOA. When a customer builds an initial FMSO I, then terminates the CLSSA before substantial orders are placed, and no other customer exists, liability may apply for assets on hand and due-in. An IA check for this possibility is especially pertinent for high value and low demand items, and for any non-DWCF items. When liability is ascertained for specific items, countries will be required to pay for the items via the CLSSA. Countries will then be given the option of receiving the

items, or having them sent to DRMS with the country liable for disposal costs. If proceeds exceed disposal costs, the net proceeds should be credited to the country trust fund account. @@ (Added 8 Dec 1998)

4. ***Non-Standard Support.*** This includes hardware or services required to support commercial end items; support of obsolete end items, including end items which have undergone system support buy outs; and to support selected non-US origin military equipment.

a. In the absence of special circumstances such as existing commercial support arrangements, security assistance for these items may be provided through normal FMS procedures.

b. Requests involving sensitive technology or which have significant impact on US programs should be coordinated with DSCA.

#### **70003 -- Procedures.**

A. **LOR.** An eligible foreign country or international organization which desires P&A data or an LOA from the USG conveys that desire to the US Government in an LOR.

1. ***Format.*** Although no specific format is required for an LOR, the requestor must assure that the request is complete as indicated below:

a. The LOR must specify what is desired. For BO LOAs, the required level of funding must be provided.

b. The LOR must contain the name and address of the originator and a traceable reference number (e.g., letter serial number).

c. The articles and services requested in an LOR must be sufficiently detailed to be understood clearly and provide a firm basis for estimates by the DoD component.

d. When LORs are received which do not meet the requirements of paragraphs a. through c. above, the DoD component initially receiving the request shall notify the requestor of the deficiency and hold action on the request until the information is received.

e. LORs transmitted by US embassies or SAOs should, when possible, refer to the country letter or message requesting data. This can then be referenced in the LOA or other US response.

2. ***Channels of Submission of LOR.*** DoS has statutory responsibility for approving requests for FMS. DoS has established the following procedures for the submission of requests:

a. ***SME.*** Requests for SME, which originate in country, should be transmitted by the US Embassy (rather than by the SAO or similar military element of the Embassy) and should be addressed to the cognizant DoD component (see Paragraph 70105.N) with an information copy to the Bureau of Political-Military Affairs, Department of State

(SecState-PM) and the Office of the Secretary of Defense, Defense Security Assistance Agency (SecDef/DSCA), and the UCOM. Requests regarding SME which originate with Purchaser country representatives in the US should also be addressed to the cognizant DoD component with an information copy to the Bureau of Political-Military Affairs and DSCA. For MDE items, the cognizant DoD component will provide the applicable unified command and SAO with a copy or details of the Purchaser's request, as appropriate. The following must be addressed in transmission of the request by the US Embassy:

- (1) The reason the nation desires the articles or services.
- (2) How the item would affect the recipient's force structure and how it would affect the recipient's capability to contribute to mutual defense or security goals.
- (3) The anticipated reactions of neighboring nations.
- (4) The ability of the Purchaser to operate, maintain, and support the article. Training required either in-country or in the US and the possible impact of any in-country US presence that might be required as a result of providing the article.
- (5) The source of financing and the economic impact of the proposed acquisition.
- (6) Relevant human rights considerations that might bear on the proposed acquisition.
- (7) Whether the US Government should approve transfer of the article and reasons therefore.

b. ***Non-SME (All other FMS).*** Requests for P&A or an LOA which originate in the Purchaser's country should be transmitted either by the customer country's authorized representative or the DoD element of the US country team directly to the cognizant DoD component (see Paragraph 70105.N), with an information copy to the UCOM, Bureau of Politico-Military Affairs, DoS, and DSCA. Requests originated by foreign representatives of the customer country in the US should be sent directly to the cognizant DoD component with an information copy to the Bureau of Politico-Military Affairs, DoS, and DSCA.

c. ***Exceptions.***

- (1) ***Direct Submission to State or DSCA.*** In exceptional circumstances requests for P&A and LOAs may be submitted directly to the Bureau of Politico-Military Affairs, DoS, and DSCA. Such submission should be used only when the US embassy in-country or the Purchaser's representative in the US believes that the request is sensitive enough to require a higher level policy determination.
- (2) ***Requirement for Copies Furnished.*** DoD components receiving requests for P&A or an LOA will assure that the Department of State and DSCA are on distribution for copies of the Purchaser's request. If copies have not been furnished, immediate action is required to furnish the copies. Further, for MDE requests received from the Purchaser's representative in the US, the DoD component will

provide the UCOM and SAO with a copy or details of the Purchaser's request, as appropriate.

(3) **Unknown Implementing Agency.** When the LOA IA cannot be readily determined by the Purchaser or the SAO/US embassy, the P&A or LOA request should be submitted to SecState/PM and SecDef/DSCA for further dissemination.

d. **DSCA and State Department Approval.** Based upon receipt of the information copy of the P&A or LOA request, DSCA and DoS will, within five working days, initiate the necessary coordination to determine if the request is approved, disapproved, or if further correspondence by the DoD component with the requestor should be suspended until completion of the required coordination. For MDE items, DSCA will immediately advise the IA of the initial approval or if difficulties are foreseen. For any MDE or non-MDE request that is not approved, DSCA will immediately advise the IA to stop further processing on the Purchaser's request, the rationale for the decision, and of the further actions required with regard to a response to the Purchaser. In the absence of such notification by DSCA, all requests will be processed for DSCA final coordination and countersignature in accordance with Paragraphs 70103.I. and 70103.J.

e. **IA Disapproval Recommendation.** In the event the IA recommends that the Purchaser's request be disapproved, the DSCA Operations Directorate will be notified. DSCA will coordinate the disapproval with the DoS Bureau of Politico-Military Affairs.

f. **OT&E Incomplete.** The IA will refer any LOR to DSCA before responding to a request for any MDE item that has not completed Operational Testing and Evaluation. LOA or P&A data will not be released pending approval by DSCA. A note, discussed further in Section 701, will be included in the P&A correspondence or on the LOA.

g. **Integration of Non-US Subsystems.** Requests for integration or certification services for installation of non-US subsystems will be assessed carefully and coordinated with DSCA Weapons Systems Division prior to development of P&A or an LOA.

## B. Responses to Letters of Request.

1. **General.** Normally, when preliminary data are required by a foreign country or international organization for planning or in anticipation of a purchase under FMS, P&A data will be provided.

2. **Discussions with Foreign Governments and International Organizations.** Economic, production, and budget uncertainties all contribute to DoD component difficulties in making accurate cost and delivery estimates. The large volume of P&A estimates which are processed also increases the likelihood of human error. In any event the utmost discretion must be exercised by members of the country team or other US officials in discussion of P&A data with foreign government or international organization officials. Only specific data approved and provided by the DoD component or the DSCA should be used.

3. **Format for P&A Data.** P&A data will not be used to develop an LOA. The following format must be used in responding to a request for P&A data. List the:

- a. Quantity, major item or service, and estimated cost. (Cost must include adjustments for inflation. In the absence of the availability of clear inflation trends on a given system, OSD/Comptroller standard inflation factors should be used.)
  - b. Ancillary support equipment which is necessary for the operation and maintenance of the system requested and include the estimated cost.
  - c. Estimated dollar value of ILS element items in addition to those in subparagraph (b) above which are necessary to support the system; e.g., training and publications.
  - d. Estimated accessorial charges.
  - e. Source of the data (e.g., last contract award, stock price).
  - f. Estimated availability of the articles or services.
  - g. Key assumptions used in developing the data, for example:
    - (1) Standard DoD component factors were used in developing the ancillary equipment or ILS elements necessary to support the quantity of items requested.
    - (2) Training and publication cost estimates are based on criteria used by the DoD component.
  - h. Key factors which will effect the above planning data, for example:
    - (1) Current contract for this item expires on (indicate date) and an LOA must be accepted by (indicate date) so that options can be added to the current contract.
    - (2) Production line is due to phase out by (indicate date). Start-up costs would have to be applied if an LOA is not accepted by (indicate date).
    - (3) Materiel has a shelf-life of (indicate date).
  - i. Validity: The above information is not valid for purposes of preparing an LOA and may not be adequate for budgetary purposes. It is planning information for review purposes only, to assist in your government's determination of the feasibility of requesting an LOA.
4. ***P&A Estimates are not Commitments.*** All responses for P&A data will include the following note: "If the Government of (insert the appropriate foreign country) is interested in pursuing this potential purchase, it must request a Letter of Offer and Acceptance."
5. ***Agents Fees or Commissions.*** Any P&A quotation which contains agents fees or commissions will be coordinated with the Management Division of the DSCA Operations Directorate before dispatch.
6. ***LOA.*** The LOA will not be used to provide P&A data.



a. **Purpose.** The LOA (Table 701-1) will be used for all FMS of defense articles and services and sales of design and construction services.

b. **Periods of Effectiveness.** The LOA will itemize the defense articles and services offered, and when executed becomes an official tender by the USG. An accepted LOA is effective until all articles offered are delivered and all services completed. BO LOAs remain in effect until the Purchaser has requisitioned articles or services up to funds available on the LOA (also see Section 130503).

c. **Acceptance.** Signing of the LOA by the designated foreign official, together with applicable funding, constitutes the agreement of the Purchaser and constitutes a contractual commitment between the US and foreign government or international organization.

7. **Response to Requests which Involve Less than EOQ.** When a request is received for P&A or an LOA which cannot be supplied from stock and cannot be immediately obtained from normal procurement because it represents less than an EOQ, the response to such requests should provide the following information to the country or international organization:

a. Whether the contractor would be willing to provide the quantity requested under separate procurement, and if so at what price and availability date, and

b. Whether a USG procurement is planned for the near future, the anticipated price of such procurement and the anticipated delay if the requirement were held pending such procurement in conjunction with USG procurement. All such responses to a foreign country or international organization must be coordinated with DSCA Operations.

8. **Negative Responses.** When it is determined that a DoD component cannot respond favorably to the foreign country or international organization request, the proposed negative reply must be coordinated with DSCA Operations. The DSCA will coordinate with the Department of State as required. This procedure applies to inquiries involving requests for foreign military sales, requests for coproduction, requests for offset arrangements, requests for sensitive technical information, lease, etc. This procedure is not intended to apply to negative responses to inquiries of a technical nature involving accepted and implemented FMS cases unless, if approved, the request would have resulted in the issuance of an amendment to the basic LOA (e.g., requests involving a significant modification of a system or an increase in the overall capability of the item requested). In addition, the following routine training actions are exempt from this prior coordination requirement. (DSCA should be an information addressee on all such responses):

a. Denial of requests within established policy (e.g., training courses closed to all foreign nationals, information not cleared for release, training for support equipment not in the Purchaser's inventory).

b. Notification of class cancellations for previously approved quotas.

c. Quota requests which cannot be accommodated within the desired timeframe.

- d. Courses where annual foreign participation is restricted to those invited by chiefs of services.

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**C. Coordination of Requests for P&A or an LOA.**

1. **LOR Advisories.** The Joint Staff and OUSD(AT&L) are advised by DSCA when an LOR, for either an LOA or P&A, is received from a prospective purchaser that meets the criteria below using an LOR Advisory. The DSCA Country Program Director is responsible for determining whether or not an LOR Advisory is required. Table 700-2 provides a sample LOR Advisory format. The LOR Advisory, if required, should be sent as early as possible in the process and should include a copy of the customer's request as well as the Country Team Assessment (if available). To ensure consistency with existing Security Cooperation objectives and technology security policy, the Joint Staff and OUSD(AT&L) will have ten working days from the date of the LOR Advisory to provide comments to DSCA for consideration. As the purpose of the LOR Advisory is to notify the Joint Staff and OUSD(AT&L) that DSCA has received an LOR from a prospective purchaser, comments are not required.

- a. First introduction of Major Defense Equipment (MDE) as defined in paragraph 70002.B.1.b;
- b. MDE that is expected to result in a notification to Congress under AECA Section 36(b);
- c. Co-production or licensing agreements for MDE;
- d. Items/services of a sensitive nature; or
- e. MDE that has not completed operational testing and evaluation (OT&E).\*

\* DSCA Country Program Directors may not be aware that the item(s) requested has not satisfactorily completed OT&E until the IA refers the LOR to DSCA in accordance with paragraph 70003.A.2.f.

2. **Pre-OT&E Sales Policy (Yockey Waivers).** OUSD(AT&L) approval is required prior to issuance of P&A data or LOAs for MDE for that has not satisfactorily completed the OT&E required prior to approval for full rate U.S. production. The LOR Advisory does not serve as the vehicle for obtaining OUSD(AT&L) approval for pre-OT&E sales. To obtain OUSD(AT&L) approval for pre-OT&E sales, the Military Department must submit a request to DSCA for OUSD(AT&L) concurrence. If OUSD(AT&L) approves a pre-OT&E sale and DSCA concurs with the sale, a note, discussed further in paragraph 70105.L.6., will be included in the P&A correspondence or on the LOA.

3. The receipt of the information copy by DSCA of the P&A or LOA request required by paragraph 70003.A.2 is the basis for the above notifications.

***[Note: All requests for information, no matter how informal the request, e.g., oral, letter, or message, are considered to be P&A requests and require the same channels of submission as outlined in paragraph 70003.A.2.]*** @@(Rewritten, E-Change 33, 2 Jul 02)@@

D. **Letter of Intent (LOI) Procedures.** The LOI and amendment formats in Tables 700-3, 700-4, and 700-5 are designed to finance procurement of items prior to acceptance of an LOA by the purchasing country. “Items” in this context are extracts from LOA line items, and not necessarily items of hardware.

1. ***Limitation of Cost or Funds.*** Cost-reimbursement contracts awarded to implement an LOI must include a Limitation of Cost or Funds clause (FAR 52.232-20, 52.232-21, and 52-232.22). The clause may be deleted by contract amendment after the Purchaser’s acceptance of the LOA.

2. ***Sec 36(b), AECA Applicability.*** When the parent LOA requires Sec 36(b) AECA reporting, the LOI must be approved by the Director, DSCA. If the LOI data fall within parameters for Sec 36(b) reporting, such reporting must be completed in the same manner as would be accomplished for an LOA, and prior to any LOI implementing action.

3. ***IA Signature and DSCA Approval.*** DSCA countersignature is required following IA signature and prior to submission of an LOI to the Purchaser and before implementation of an LOI amendment. If Congressional notification must be completed before the LOA can be issued, the following note will be added to the LOI: “It is understood that United States law requires that the United States Congress must be afforded a formal opportunity to review the proposed sale before the sales offer may be issued to the Purchaser and that a law may be enacted to prohibit such issuance. The Purchaser shall bear the risk that the offer may not be issued for reasons such as enactment of a prohibition.”

4. ***LOI Preparation.*** Deviations from the format in Table 700-4 are not authorized. Deviations from the format in Table 700-3 may be recommended to DSCA, but should be carefully justified and kept to a minimum. The LOI uses the same designator as the parent LOA. Items to be provided should include the line item number and line (including MASL) data from the LOA. Terms of payment and payment schedule information should be included in the defense articles and services field. If available space is inadequate, an attachment should be used.

5. ***LOI Amendment.*** Amendments, in Table 700-5 format, are processed as country requests, reviewed, approved and signed by the LOA IA, and recommended to DSCA for countersignature. “Acceptance” occurs upon DSCA countersignature and completion of any changes in the LOI financial arrangements. A copy of the basic LOI and any previous amendment(s) must accompany each LOI Amendment recommended for countersignature.

**Table 700-1 -- Recoupment of Nonrecurring Costs on Sales of Major Defense Equipment (MDE)**

RECOUPMENT OF NONRECURRING COST OF MAJOR DEFENSE EQUIPMENT										DATE PREPARED			
										AS OF DATE			
SECTION A													
(a)	(b)			(c)						(d)			(e)
WEAPON SYSTEM OR COMPONENT	NONRECURRING COSTS <del>THOUSANDS</del>			PRODUCTION QUANTITY						RECOMMENDED PRORATE UNIT CHARGE			PREVIOUS UNIT CHARGE
	ROTE	PRODUCTION	TOTAL	ARMY	MARINES	NAVY	AIRFORCE	MARINES/O PACT	SALE	TOTAL	ROTE	PRODUCTION	
SECTION B													
PRODUCTION QUANTITIES													
		ACTUAL		PRODUCTION		TOTAL							
	MAP												
	DIRECT SALE												
	FMD												
	TOTALS						COMPLETION OF SECTION CONVERSE IS REQUESTED						

**Table 700-1 -- Continued**

SECTION C		
QUANTITY PROJECTION BREAKOUT		
MAP		
COUNTRY/ INT'L ORGN	PROJECTED QUANTITY	EXPLANATION FOR PROJECTIONS
TOTAL MAP		
DIRECT SALES		
TOTAL DIRECT SALES		
FMS		
TOTAL FMS		
TOTALS		

MEMORANDUM FOR DIRECTOR, J-5, JOINT CHIEFS OF STAFF  
ATTN: WTC

DIRECTOR, INTERNATIONAL COOPERATION  
OFFICE OF THE UNDER SECRETARY OF DEFENSE  
ACQUISITION, TECHNOLOGY, AND LOGISTICS

SUBJECT: Letter of Request (LOR) Advisory - **[Insert Country or International Organization Name]**

DSCA has received a request from **[Insert Country or International Organization Name]** for **[Identify articles requested and whether they are: Major Defense Equipment (MDE) that is being introduced for the first time; MDE that is expected to result in a notification to Congress under AECA Section 36(b); Co-production or licensing agreements for MDE; Items/services of a sensitive nature; or MDE that has not completed operational testing and evaluation (OT&E).]** **[Additional information may be provided specific to this request if desired.]**

The purpose of this memorandum is to advise you of this request and provide you a copy for your use and information. If you have any questions or desire additional information regarding this potential sale, please contact **[Name, office symbol, phone number, and e-mail address of DSCA Country Program Director]**.

It should be noted that this notification does not take the place of the Exception to National Disclosure Policy (ENDP) process or releasability requirements that may need to be addressed by the Military Departments.

Attachment

**[Purchaser Request Information]**

cc: **[Applicable ASD (ISA or ISP)]**  
USD(P)-PS  
DoS (PM/RSAT)  
**[Applicable SAO]**  
**[Applicable MILDEP]**  
**[Applicable Unified Command]**

\*NOTE: Memorandum will be classified if applicable

## 70003 -- Procedures Continued

**Table 700-3 -- US DoD Letter of Intent.**

<hr/>	
Purchaser name and address	
<b>United States Department of Defense</b>	
<b>Letter of Intent</b>	* [self-explanatory]
<hr/>	<hr/>
*	*
Purchaser's reference	LOA Identifier

**A The Government of \*, acting through its Ministry of Defense (hereafter referred to as the Purchaser) hereby declares its firm intent to procure, under United States Arms Export Control Act (AECA) procedures, from the Government of the United States (USG), items pertaining to the following:**

\* [use line item numbers and line data from the LOA. Include terms of payment and LOA dependable undertaking payment schedule.]

**B Standard Terms and Conditions -- United States (US) Department of Defense (DoD) Letter of Intent (LOI), attached, are hereby made part of this agreement. In order to permit the USG to proceed immediately with the purchase described herein and to cover associated administrative expenses, the US DoD is herewith authorized to incur obligations and expend up to the sum of \$ \* (which includes estimated administrative and termination costs) on a Foreign Military Sales dependable undertaking basis, to be exceeded only in the event of a decision by either a Court or Board which increases the contractor's entitlement.**

[Use the applicable section C version shown below. The first version is to be used when the LOA has not yet been provided to the Purchaser. The second is to be used when the LOA has been issued to the Purchaser.]

**C It is understood that the US Department of the \* [Army, Navy, or Air Force] plans to present to the Purchaser a Letter of Offer and Acceptance within \* days after signature of the Letter of Intent. [Add AECA Sec 36(b) note if applicable (Paragraph 70003.D.3).]**

**or**

**C A Letter of Offer and Acceptance that includes items in Section A was issued to the Purchaser by the US Department of the \* [Army, Navy, or Air Force] on \* [date LOA**

released]. **Purchaser intends to sign said Letter of Offer and Acceptance not later than \***  
 [date by which the LOA is expected to be signed, normally not later than the expiration date].

**D The undersigned are authorized representatives of their governments and hereby  
 commit their governments to this Letter of Intent (LOI):**

_____ *	_____ *	_____ **	_____ **
US Signature	Date	Purchaser Signature	Date

_____ *	_____ **
Typed name and title	Typed name and title

_____ *	_____ **
Implementing Agency	Agency

_____ ***	_____ ***
DSCA	Date

_____ ***	*	Data entered by IA
Typed name and title	**	Entered by Purchaser
	***	Entered by DSCA, Office of Comptroller

**Table 700-4 -- LOI Standard Terms and Conditions**

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**Standard Terms and Conditions -- United States (US)  
 Department of Defense (DoD) Letter of Intent (LOI)**

1 Except to the extent directly inconsistent with the provisions hereof, the terms and conditions set forth in “Letter of Offer and Acceptance Standard Terms and Conditions” of the Letter of Offer and Acceptance on which this LOI is based will apply to all activities undertaken pursuant



to this LOI, and the estimated costs of such activities will be included in the Letter of Offer and Acceptance. In particular, Conditions 2.2, 2.3, and 3 are hereby incorporated by reference and made an integral part of this LOI. This LOI shall be superseded upon Purchaser's signature of the Letter of Offer and Acceptance.

2 In anticipation of the Purchaser's signature of the above mentioned Letter of Offer and Acceptance, the Purchaser Government commits to the following:

- 2.1 If, prior to Purchaser signature of the above mentioned Letter of Offer and Acceptance, the US DoD has reason to believe that the costs which it expects to incur in the performance of this LOI will exceed the amount set forth in block section B, it shall promptly notify the Purchaser in writing to that effect. The notice shall state the estimated amount of and the date by which the additional obligational authority (by a new or amended LOI) will be required from the Purchaser in order to continue performance.
- 2.2 If, after such notification, the additional obligational authority is not granted by the date set forth in the notification, the US Government is authorized, at its discretion, to terminate any and all activities under this LOI at Purchaser's expense, in accordance with section 2.3 below, in an amount not to exceed the amount set forth in section B.
- 2.3 The Purchaser agrees to pay the full amount of such authorized obligations and to make funds available in such amounts and at such times as may be requested by the US Government for expenditures against such obligations.

3 This LOI does not prejudice the Purchaser's decision on the acceptance of the Letter of Offer. Moreover, the Purchaser may cancel all or any part of this LOI at any time by notifying the US Government. Upon receipt of such notification the US Government is authorized to terminate any and all activities initiated hereunder, at Purchaser's expense, in accordance with section 2.3 above, in an amount not to exceed the amount set forth in section B.

4 Certain items for which procurements may be initiated hereunder are normally the subject of definitization conferences, at which specific items and quantities are agreed upon. If it is necessary to place any such items on order prior to any such conference, the US DoD is authorized to do so, using its best judgment, and will furnish a list of the items so ordered at the conference.

**Table 700-5 -- Amendment to US DoD Letter of Intent.**

**\* [Purchaser letterhead]**

**\* [date]**

**\* [DoD Military Department address]**

**Reference is made to the Letter of Intent between the Government of \* [purchasing country] and the United States Department of the \* [Army, Navy, or Air Force], which we signed \* [date of the LOI], identified by LOA designator \* [two character country code; code B, P, or D; and three character LOA identifier]. The Government of \* [purchasing country] desires to \* [show change desired] and herewith authorizes the Department of the \* [DoD Military Department] to incur obligations and expend up to the sum of \$ \* [revised LOI value] on a Foreign Military Sales dependable undertaking basis for said Letter of Intent.**

\* [Purchaser signature]

\* [Purchaser typed name and title]

\*\* (MILDEP signature and date)

\*\* (MILDEP typed name and title)

\*\*\* (DSCA Office of Comptroller signature and date)

\*\*\* (DSCA Office of Comptroller typed name and title)

\* Completed by the Purchaser in consultation with the DoD Military Department

\*\* Completed by the implementing US DoD Military Department

\*\*\* Completed by DSCA, Office of the Comptroller

**Table 700-6 -- Major Defense Equipment List (MDEL)**

Approved		Effective Item Description Charge		Date/Notes	
Category I – Firearms					
	Gun, Machine, M2, 50 Cal. (A)	2	28Mar89	(B)	
	Gun, Machine, M240 Series (A)	65	28Mar89	(B)	
	Gun, Rifle, M16 Series, 5.56mm (A)	8	25Mar80		
Category II – Artillery And Projectiles					
	Gun, 20mm, M61 (AF)	1,342	06Dec84		
	Gun, 30mm, GAU-8 (AF)	27,881	22Jan81		
	Gun Pod, 30mm, GPU-5/A (AF)	60,239	11Aug82		
	Howitzer, M101A1, Towed, 105mm (A)	850	11Jun87		
Category III – Ammunition					
	Cartridge, 20mm (A)			(D)	
	Cartridge, 30mm GAU-8 (AF)	0.50	28Mar89	(B)	
	Cartridge, 40mm, HE (A)	0.11	28Mar89	(B)	
	Cartridge, 40mm, M385 Dummy (A)	0.19	15May91		
	Cartridge, 40mm, M406 HE (A)			(D)	
	Cartridge, 40mm, M433 Fxd Hedp,				
	Sngl Rd 72/Bx (A)	0.43	15May91		
	Cartridge, 40MM, M922A1 Dummy (A)	0.19	15May91		
	Cartridge, 60mm, HE (A)	0.47	28Mar91		
	Cartridge, 60mm, M49A2/A3/A4 HE (A)			(D)	
	Cartridge, 60mm M720 HE w/FMO M734 (LAP) (A)	5.00	15May91		
	Cartridge, 81mm, M301 Illum (Only) (A)	0.04	07May81		
	Cartridge, 81mm, M374A2/A3 HE (A)			(D)	
	Cartridge, 81mm, M374A3 HE w/M567 Fuze (A)	3.24	15May91		

	Cartridge, 105mm, M393A2 HE, HEP-T (A)			(D)
	Cartridge, 105mm, M456 HEAT-T MP (A)	3.59	07May81	
	Cartridge, 105mm, M490 (A)	0.57	07May81	
	Cartridge, 105mm, M724A1 (A)	1.42	07May81	
	Cartridge, 105mm, M774 APFSDSD-5 2/Bx (A)	24.00	15May91	
	Cartridge, 105mm, M833 APFSDSD-T (A)	88.00	05Jul91	
	Cartridge, 105mm HE (A)	0.87	21May79	
	Cartridge, 120mm, M829 APFSDSD-T (A)	126.60	02Dec88	
	Cartridge, 120mm, M830 HEAT MP-T (A)	293.59	02Dec88	
	Cartridge, 120mm, M831 HEAT TP-T (A)	83.03	02Dec88	
	Cartridge, 120mm, M865 TPCSDSD-T (A)	37.82	02Dec88	
	Cartridge, 4.2", M329 HE (A)			(D)
	Cartridge, 4.2", M329A2 HE w/O Fuze			
	w/Old Obturator (LAP) (A)	4.08	15May91	
	Cartridge, 4.2", M335 Illum (Includes			
	M577 Fuze) (A)	4.03	20Jan82	
	Cartridge, 4.2", HE (A)			(D)
	Projectile, 155mm, M107 (A)	3.22	21May79	
	Projectile, 155mm, M483/M483A1 (A)	2.20	02Mar82	
	Projectile, 155mm, M549 HE RAP (A)	13.76	05Feb81	
	Projectile, 155mm, M692/M731 HE ADAM (A)	111.00	30May86	
	Projectile, 155mm, M712 CLGP Copperhead (A)	4,152.00	17Sep81	
	Projectile, 155mm, M718/M741 RAAMS (A)	57.00	30May86	
	Projectile, 155mm, M864 HE (A)	47.00	10Aug93	(A)
	Projectile, 175mm, M437 HE (A)	2.33	26Mar80	
	Projectile, 5"/38 Cal (N)	15.60	09Jul84	
	Projectile, 5"/54 Cal (N)	74.42	04May84	
	Projectile, 8" M106 HE (A)	0.04	21May79	
	Projectile, 8" M509 HE ICM (A)			(D)
	Projectile, 8" M650 HE (A)	83.04	21May79	
	Projectile, 8" HE ICM (A)	15.48	21May79	
<b>Category IV -- Launch Vehicles, Guided Missiles, Ballistic Missiles, Rockets Torpedoes, Bombs And Mines</b>				
	Bomb, BLU-109 (AF)	747	18May89	
	Bomb, CBU-87 Combined Effects Bomblets (AF)	1,080	06Dec84	
	Bomb, CBU-89 Cluster, TMD/Gator Mines (N)			(D)
	Bomb, CBU-90 Anti-Armor Cluster Munition (AF)	3,351	28Mar89	(B)
	Bomb, MK20, Cluster Bomb Rockeye (N)	117	25Mar83	
	Bomb, MK82 500# General Purpose (N)	3	25Mar83	
	Bomb, MK83 1000# General Purpose (N)	10	25Mar83	
	Bomb, MK84 2000# General Purpose (N)	13	25Mar83	
	Bomb, M117, 750#, General Purpose (AF)	20	06Dec84	
	Bomb, Guided, Walleye Series (N)	6,183	06Dec84	
	Bomb, Guided Unit, GBU-24	2,720	02Jul97	
	Countermeasure, MK214/MK216 Sea Gnat (N)	145	01Apr92	
	Grenade, M42 (A)	0.01	10May91	
	Gun Mount, M75, 76mm Gun (N)	62,749	06Dec84	
	Gun Mount, MK45 Mod 1, 5"/54 (N)	142,566	01Oct84	
	Launcher, MK13 (Mod 0 To Mod 3) (N)	78,125	17Nov78	
	Launcher, MK41 Vertical Launching System	1,232,863	14Dec87	

	(VLS) (29 Or 61 Cells) (N)			
	System (VLS) (8 Cell Variant)	154,108	24Nov89	
	Mine, Cannister M87 (Volcano) (A)	270	15May91	
	Missile, AGM-45 Shrike (N)	4,890	11Aug78	
	Missile, AGM-65A/B Maverick (AF)	3,722	03Feb81	
	Missile, AGM-65D Maverick (AF)	5,343	03Nov87	
	Missile, AGM-65E Laser Maverick (AF)	24,213	06Dec84	
	Missile, AGM-65f/G Maverick (AF)	6,331	03Nov87	
	Missile, AGM-78 Standard ARM (N)			(D)
	Missile, AGM-88 HARM (N)	21,249	20Apr82	
	Missile, AGM-130 Powered Standoff WPN	167,000	07Jan97	
	Missile, AGM-142A/B/C/D HAVE NAP	56,764	23May97	
	Missile, AIM-4A-G, Falcon (AF)	3,321	12Mar82	
	Missile, AIM-7 Skyflash Portion (N)	820	07May81	
	Missile, AIM-7, C/D/E Sparrow (N)	2,733	07May81	
	Missile, AIM/RIM-7F/M Sparrow (N)	7,646	02Jun82	
	Missile, AIM/RIM-7P Sparrow (N)	40,258	24Apr91	
	Missile, AIM-9H Sidewinder (N)	3,457	03Oct78	
	Missile, AIM-9 J/P/N Sidewinder (AF)	134	12Mar82	
	Missile, AIM-9L Sidewinder (N)	2,604	18May78	
	Missile, AIM-9M Sidewinder (N)	6,368	25Mar83	
	Missile, AIM-54A-C Phoenix (N) (Includes Front End -- 35,019; Aft End -- 36,276)	71,295	10Jan83	
	Missile, MIM-72 Chaparral Series (A)	2,100	16Dec88	
	Missile, RGM-66D Standard ARM (N)			(D)
	Missile, RIM-66B/B-2, RIM-66E Rim-67A-13 Standard 1 (SM-1) Block V Standard (N)	12,602	15Sep77	
	Missile, RIM-66D and RIM-67b Standard 2 (SM-2) (N)	89,651	06Dec84	
	Missile, RIM-66D and RIM-67b Standard 2 (SM-2) Block II (N)	40,253	21Apr89	
	Missile, RIM-66G/H/I Standard 2 (Sm-2) Block I (N)	64,192	22Jul91	
	Missile, RIM-66G/H/I Standard 2 (Sm-2) Block II (N)	25,423	22Jul91	
	Missile, RIM-66G/H/I Standard 2 (Sm-2) Block III (N)	38,465	22Jul91	
	Missile, X-RIM-116A, 5" Rolling Airframe, RAM (N)			(D)
	Missile, Dragon, HEAT and Practice (A)	378	24Mar80	
	Missile, I-Hawk Series (A)	7,053	12Nov80	
	Missile, Lance (A)	76,205	21May79	
	Missile, Nike Hercules (A)	448,055	28Mar89	(B)
	Missile, Pershing Series (A)	128,378		
	Missile, Redeye (A)			(D)
	Missile, Tomahawk (N)			(D)
	Missile, NATO Seasparrow Surface Missile System (NSSMS) (N)			(D)
	Missile System, AMRAAM (AF) Missile System, Army Tactical (ATACMS) (A)	192,959	19Jun97	
	Missile, AIM-120	114,182	22Jan92	
	Missile, AIM-120 Air Vehicle Instrumented (AAVI) (AF)	114,182	22Jan92	

	Launcher, LAU-127/A (F/A-18)	3,530	22Jan92	
	Launcher, LAU-128/A (F-15)	3,530	22Jan92	
	Launcher, LAU-129/A (F-16)	3,530	22Jan92	
	Missile System, Army Tactical (ATACMS) (A)	192,959	19Jun97	
	Missile System, Harpoon (N) Launcher, AN/SWG-1(V) Baseline	80,562	20Jan78	
	Launcher, Harpoon Shipboard Command and Launch Control System, AN/SWG-1A(V) (HSCALCS)	109,603	11Dec86	
	Missile, AGM-84 (RGM/UGM)	44,083	20Jan78	
	Missile System, AGM-114 Hellfire (A)		14May85	
	Launcher, Hellfire	14,715		
	Missile AGM-114A/B/C Hellfire	4,124		
	Missile System, Patriot, MIM-104 (A)	3,700,725	18Nov82	
	Antenna Mast Set	131,906		
	Electrical Power Plant (EPPII)	339,464		
	Engagement Control System (ECS) AN/MSQ- 104	548,311		
	Launcher	214,782		
	Missile w/Canister	82,836		
	Radar, AN/MPQ-53	2,383,426		
	Missile System, Roland (A)		24Sep80	
	Fire Control, AN/GSG-11 Missile System, (MFCs)	324,828		
	Launcher	324,828		
	Missile	4,422		
	Missile System Stinger (A)		03May91	
	Missile/Tube, Stinger Basic	3,800		
	Missile/Tube, Stinger Post	66,100		
	Missile/Tube, RMP	3,000		
	Missile System, TOW (A) Launcher	3,029	16Sep77	
	Missile, BGM-71A Basic TOW HEAT and Practice	293	16Sep77	
	Missile, BGM-71D TOW 2	658	19Dec83	
	Missile, BGM-71E TOW 2A Missile, M65 Subsystem Airborne TOW	27,800	17May89	
	Missile, I-TOW (Basic + Warhead)	487	03Nov81	
	Rocket, 2.75" Series (A)	0.87	26Mar80	
	Rocket, M72 Series, Light Antitank Weapon (LAW), 66mm (A)	1.32	28Mar89	(B)
	Rocket, Antisubmarine, (ASROC) (N)	885	20Dec84	
	Rocket, Vertical Launch Antisubmarine (ASROC) (VLA) (N)	98,926	14Dec87	
	Rocket, MLRS Extended Range	4,445	18Jul97	
	Rocket System, M77, Multiple Launch (MLRS), Tactical, Practice, Training (A)		02Dec85	
	Launcher	173,000		
	Rocket (6 Rockets Per Pod)	615		
	Torpedo, MK46 Mod 2 (N)	8,993	28Mar89	
	Torpedo, MK46, Neartip O/A Kit (Converts MK46 Mods 1/2 To Mod 5 (N))	3,795	26Jan80	
	Torpedo, MK46 Mod 5 (N)	9,308		
	Torpedo, MK48 (N)	86,255	21Jul77	

	Torpedo, MK48 ADCAP Kit (N)	103,322	25Nov80	
	Weapon, Fuel Air Explosive, FAE II (N)			(D)
Category V -- Propellants, Explosives And Incendiary Agents				
	Items In This Category Which Meet The Dollar Criteria For Major Defense Equipment Are Not Significant Military Equipment As Defined In The Us Munitions List.			
Category VI -- Vessels of War and Special Naval Equipment				
	CG-Guided Missile Cruiser (N)			(D)
	DD-963, Destroyer (N)			(D)
	DD -- Destroyer (N)			(D)
	DDG -- Guided Missile Destroyer (N)			(D)
	FF -- Fast Frigate, Garcia Class (N)		24Apr89	
	FF-1041 USS Bradley	754,810		
	FF-1043 USS Edward McDonnell	767,515		
	FF-1047 USS Voge	1,597,365		
	FF-1048 USS Sample	703,430		
	FF-1050 USS Albert David	689,885		
	FF-1051 USS O'Callahan	629,895		
	FFG -- Guided Missile Frigate, FFG-7 Class (N)	2,975,714	21Sep95	
	FFG -- Guided Missile Frigate,Brooke Class (N)		21Apr89	
	FFG-1 USS Brooke	1,276,485		
	FFG-2 USS Ramsey	1,101,730		
	FFG-3 USS Schofield	1,104,670		
	FFG-4 USS Talbot	1,059,345		
	FFG-5 USS Richard L. Page	886,235		
	LCAC -- Landing Craft Air Cushion (N)			(D)
	LHD -- Amphibious Assault Ship (N)			(D)
	LPD -- Amphibious Transport Dock (N)			(E)
	LSD -- Dock Landing Ship (N)			(E)
	LST -- Tank Landing Ship (Newport Class) (N)	824,840	25Jan84	
	LKA -- Amphibious Cargo Ship (N)			(E)
	LPA -- General Purpose Amphibious Assault Ship (N)			(E)
	MSO -- Minesweeper, Ocean, Nonmagnetic (N)			(E)
	PHM -- Patrol Combatant Missile (NATO) Hydrofoil (N)	1,000,000	28Mar89	(B)
	PHM -- Patrol Combatant Missile (FRG Variant) Hydrofoil (N)	1,250,000	28Mar89	(B)
	SS -- Submarine, Conventionally Powered (N)			(E)
Category VII -- Tanks and Military Vehicles				
	Air Defense System, M163 and M167 Series, Vulcan (A)	29,439	26Mar80	
	Gun, M107 Self-Propelled, 175mm (A)	40,258	26Mar80	
	Howitzer, M109A1-A3 Self-Propelled, 155mm, (A) (Includes Cannon Assembly)	8,771	23Jun87	
	(Without Cannon Assembly)	7,447	23Jun87	
	Howitzer, M110A Self-Propelled, 8" (A)	14,371	26Mar80	
	Howitzer, M110A1 Self-Propelled, 8" (A)	16,975	26Mar80	
	Howitzer, M110A2 Self-Propelled, 8" (A)	21,069	26Mar80	
	Howitzer, M198 Towed, 155mm (A)	47,483	14Feb86	
	Tank, M1 Abrams (A)	114,443	27Oct88	
	Tank, M1A1 (A)	226,725	27Oct88	
	Tank, M1A2 (A)	248,001	07Jan93	(A)
	Tank, M48A1 (A)	1,479		

	Tank, M48A3 (A)	5,521		
	Tank, M48A5 (A)	12,849		
	Tank, M60A1 (A)	14,083	03Mar80	
	Tank, M60A3 (A) w/Thermal Tank Sights	31,427	03Mar80	
	w/o Thermal Tank Sights	21,939	03Mar80	
	Tank Engine, AGT-1500	18,714	07Jan93	(A)
	(M1 Tank Series)(A) Tank Engine, AVDS-1790 (M60A1 Tank) (A)	2,066	03Mar80	
	Transmission, HMPT 500-3 Bradley (A)	3,564	05Apr91	
	Vehicle, AAV7A1/Aavai Assault Amphibious (N)	91,426	20Apr82	
	Vehicle, LAV-25 Series Light Armored (LAV) (N)		17Jun91	
	LAV-25 (Includes LAV-25 Turret)	2,818		
	LAV-Logistics	7,610		
	LAV-Recovery	26,305		
	LAV-Mortar	14,383		
	LAV-Cmd/Control	16,723		
	LAV-Antitank (Includes LAV-25 Turret)	13,473		
	LAV-Baseline	800		
	LAV-25 Turret	1,600		
	Vehicle, M2 Infantry Fighting (IFV) (A)	51,989	22Nov89	
	M2A1 (IFV)	74,937		
	M2A1 (Minus) (IFV)	57,580		
	M2A2 (IFV)	106,593		
	Vehicle, M3 Calvary Fighting Vehicle (CFV) (A)	50,549	22Nov89	
	M3A1 (CFV)	73,497		
	M3A1 (Minus) (CFV)	56,140		
	M3A2 (CFV)	106,113		
	Vehicle, M88/M88A1 Recovery (A)	8,460	01Nov88	
	Vehicle, M88A2, Improved Recovery (A)	74,400	03Jul97	
	Vehicle, M113 Series, Armored Personnel Carrier (APC)	688	11Sep78	
	Family of Vehicles (FOV) (A)			
	Carrier, M106A1/2 Mortar			
	Carrier, M548 Series, Cargo			
	Carrier, M577 Series, Command Post			
	Carrier, M667 Lance			
	Carrier, M727 Hawk			
	Carrier, M730 Chaparral			
	Carrier, M741 Vulcan			
	Vehicle, M551 Armored Reconnaissance Assault (A)	33,213		
	Vehicle, M578 Recovery (A)			(D)
	Vehicle, M723 Mechanized Infantry Combat (A)			(D)
	Vehicle, M728 Combat Engineering (CEV) (A)			(D)
	Vehicle, M981 Fire Support Team (FISTV) (A)	68,476	03Feb86	
	Vehicle, M992 Field Artillery Ammunition Support (FAASV)(A)	12,805	22Nov89	
	Vehicle, M998 Series, High Mobility Multi-Purpose Wheeled (HMMWV) (A) Carrier,	232	26Oct90	

	M996 TOW Missile			
	Carrier, M1025 Armament, Basic Armor	232	26Oct90	
	Carrier, M1026 Armament, Basic Armor	232	26Oct90	
	Carrier, M1036 TOW Missile, Basic	232	26Oct90	
	Carrier, M1043 Armament, Supplemental	232	26Oct90	
	Carrier, M1044 Armament, Supplemental	232	26Oct90	
	Carrier, M1045 TOW Missile, Supplemental	232	26Oct90	
	Carrier, M1046 TOW Missile, Basic	232	26Oct90	
	Vehicle, Fire Direction Control			
	Center (FDCV) (A)	3,382	21May86	
<b>Category VIII -- Aircraft, Spacecraft and Associated Equipment Aircraft</b>				
	767 AWACS (AF)	8,700,000	11Aug92	
	Basic Configuration (\$6,900,000)			
	Information System,			
	JTIDS (\$1,600,000)			
	Radio, Have Quick (\$200,000)			
	A-Net System			
	A-4A (N)	15,165	20Oct83	
	A-4B (N)	12,864	20Oct83	
	A-4C (N)	15,523	20Oct83	
	A-4E (N)	27,929	20Oct83	
	A-4F (N)	33,226	20Oct83	
	A-6 (N)			(D)
	A-7 (w/o FLIR) (N)	243,881	08Sep83	
	A-10 (w/o TF-34 Engine) (AF)	388,786	12Mar82	
	A-37 (AF)	19,651	28Mar89	(B)
	AV-8B Harrier (w/o UK Assessment) (N)	867,373	26Jun81	
	C-5A Galaxy (AF)	12,661,728	12Mar82	
	C-130 Hercules w/4 T-56 Engines (AF)	102,520	03Aug83	
	C-141A/B Starlifter (AF)	892,254	12Mar82	
	E-2B (w/Engines) (N)	298,400	22Jun89	
	E-2C (N)	2,625,904	18May78	
	E-3 AWACS (Airborne Warning and Control System) (AF) Enhancements (Special Recoupment, Exp. 01Jul94)	461,797	28Sep90	
	Memory Upgrade Modification	1,674,841	08Nov89	
	E-3A Sentry, US/NATO Standard (AF)	33,021,000	26Oct81	
	(Total US NC Charge \$27.43m; Total NATO NC Charge \$5.59m) EA-6 (N)			(D)
	F-4A (N)	129,712	20Oct83	
	F-4B (N)	70,450	20Oct83	
	F-4J (N)	122,089	20Oct83	
	F-4E (N) (w/Engines) (25% Discounted for Useful Life) (N)	159,408	20Oct83	
	F-4G Wild Weasel (Mod Only) (AF)	667,241	12Mar82	
	F/RF-5A Tiger (w/o 2 J-85 Engines) (AF)	40,000	01Nov71	
	F/RF-5E Tiger II (w/o 2 J-85 Engines)(AF)	68,000	01Nov71	
	F/RF-5F Tiger II (w/o 2 J-85 Engines) (AF)	207,000	25Nov75	
	F-8 Crusader (N)	56,859	12May81	
	F-14 (w/Engine) (N)	1,600,000	29Nov76	
	F-15A/B Eagle (w/o Engines, AN/APG-63 Radars, MSIP, & TEWS) (AF)	1,849,611	05Feb92	
	F-15C/D Eagle (w/o Engines, AN/APG-63	1,897,460	05Feb92	



	Radars, MSIP, & TEWS) (AF)			
	F-15E Eagle (w/o Engines, AN/APG-63 Radars, MSIP, & TEWS) (AF)	3,938,594	05Feb92	
	F-16 A/B Fighting Falcon (w/o EPG Special NC \$85,000) (AF)	640,000	04Jun80	
	F-16C/D (w/Engines) (AF)	1,018,050	24Feb89	
	F-18 Airframe (N)	1,117,281	30Mar87	
	F-20 (AF)	941,504	30Mar87	
	F-100A (AF)	37,840	06Dec84	
	F-100C (AF)	25,800	06Dec84	
	F-100D (AF)	25,440	06Dec84	
	F-100F (AF)	27,840	06Dec84	
	F-101B/F (AF)	65,560	06Dec84	
	F-102 (AF)	38,320	06Dec84	
	F-104A Starfighter (AF)	42,080	06Dec84	
	F-104B/C/D (AF)	91,040	06Dec84	
	F-104G/J (AF)	54,360	27Nov87	
	F-105B Thunderchief (AF)	168,000	06Dec84	
	F-105D/F (AF)	78,400	06Dec84	
	F-106A/B Delta Dart (AF)	159,200	06Dec84	
	F-111A/C/D/E/F (AF)	605,320	06Dec84	
	KC-10 Extender (AF)	1,176,667	12Mar82	
	KC-135A Stratotanker (AF)	217,034	12Mar82	
	OV-1A/B/C Mohawk (A)	119,229	23Jun82	
	OV-10 (w/o Engine) (N)	41,930	09Jan78	
	P-3A/B (w/Engine) (N)	382,750	03Jan78	
	P-3C (N)	592,219	03Jan78	
	AEW&C	1,761,974	25Feb87	
	Update III	1,044,128	17May89	
	RF-4B (N)	104,566	20Oct83	
	RF-4C Phantom (AF)	108,000	06Dec84	
	S-2 (w/Engine) (N)	85,449	28Aug81	
	S-2A/US-2 (w/o Engine) (N)	18,987	20Oct83	
	S-2C (w/o Engine) (N)	23,497	20Oct83	
	S-2D (w/o Engine) (N)	38,448	20Oct83	
	S-2E (w/o Engine) (N)	35,950	20Oct83	
	S-3A Viking (N)	3,502,643	26Jun81	
	T-2 (N)	39,968	10Jan78	
	TA-4F (w/o Engine) (N)	28,110	20Oct83	
	TA-4J (w/o Engine) (N)	51,176	20Oct83	
	T-33A (AF)	2,857	12Mar82	
	T-37 (AF)	19,651	28Mar89	(B)
	T-38A (AF)	80,972	12Mar82	
	TH-55 Osage (A)	6,000	11Jun87	
	Vehicle, Remotely Piloted (RPV) Aquila (A)			(D)
	<b>Helicopters</b>			
	AH-1J Airframe, Seacobra (N)	52,245	11Oct85	
	AH-1S Cobra (w/T-53-L-703 Engine) (A)	147,604	17May89	
	(w/T-53-L-703 Engine, M65 Airborne TOW Missile and C-Nite System)	163,860	17May89	
	AH-1T Airframe, Seacobra (N)	486,665	11Oct85	
	AH-1W Super Cobra (w/2 T-700-GE-401 Engines) (N)	326,461	18Jun90	

AH-64 Apache (w/2 T-700 Engines) (A)	1,045,566	30Dec83	
CH-47A/B/C (Includes T-53-L-11A Engine) (A)	100,000	07Nov70	
CH-47D Chinook (w/o T-55 Engines) (A)	144,279	07Aug91	
CH-53E/MH-53e (w/o T-64 Engine) (N)	1,023,079	12May83	
H-3E (N)			(D)
H-46 (N)			(D)
H-53 (S-65) (N)	166,029	27Feb79	
OH-6 Cayuse	18,000	11Jun87	
OH-58A Kiowa (A)	22,000	11Jun87	
OH-58C Kiowa (A)	48,000	11Jun87	
OH-58D Kiowa (w/Mast Mounted Sights) (A)	663,082	10Aug93	(A)
SH-2/2D/2F Lamps, Mark I (w/2 T-58-GE Engines) (N)	325,423	06Dec84	
SH-2G (w/2 T-700-GE-401 Engines) (N)	607,149	03Jun91	
SH-60B Airframe (N)	689,944	15Oct82	
(Lamps, Mark III Airframe w/o T-700-GE-401 Engines)	859,636		
Minimum Avionics Suite	366,236		
Mission Avionics Suite	1,063,400		
Ship Electronics	1,131,227		
TH-55 Osage	6,000	11Jun87	
UH-1H Iroquois (A)	4,501	01May81	
UH-1N (N)	48,032	12Jul85	
UH-60A Blackhawk Airframe (A)	169,692	03Oct81	
<b>Engines</b>			
CFM-56 (AF)	20,000	25May89	
CFM-56 Engine Integration, E-3 (AF) (Special Recoupment, Exp. 01Jul94)	3,257,810	28Sep90	
CT7-2A/2D (N)	29,697	21Dec88	
CT7-5A/7A (N)	25,777	21Dec88	
CT7-6/9 (N)	9,236	21Dec88	
F100-PW-100/200 Alternate Fighter Engine (AFE) (AF)	284,001	27Jan92	
F100-PW-220 Alternate Fighter Engine (AFE) (AF)	458,232	24Jul96	
F100-PW-229 Increased Performance Engine (IPE) (AF)	283,217	24Jul96	
F101 (AF)			(D)
F101X (AF)			(D)
F107 (N)			(D)
F-109-GA-100 Turbofan (AF)	86,546	14May91	
F110-GE-100 Alternate Fighter Engine (AFE) (AF)	458,232	24Jul96	
F110-GE-129 Increased Performance Engine (IPE) (AF)	283,217	24Jul96	
F404 (N)	63,840	30Mar87	
F404-GE-400/402	164,222	09Oct92	(A)
J47 (AF)	2,168	12Mar82	
J52P-6A/B (N)	7,370	08Sep83	
J52P-8A/B (N)	30,658	08Sep83	
J52P-408 (N)	33,106	08Sep83	
J57P-6B (N)	4,600	08Sep83	
J57P-10 (N)	4,120	08Sep83	

	J60P-3/3A (N)	2,520	08Sep83	
	J75 (AF)	28,999	12Mar82	
	J79-GE-8/10 (N)	6,400	08Sep83	
	J79-GE-17/17A/119 (AF)	27,464	01Oct83	
	J85 (AF)	17,901	23Mar83	
	RM-12	110,029	09Oct92	(A)
	T33-P-100 (AF)			(D)
	T53 (N)	1,542	07May81	
	T53-L-703 (A)	2,220	17May89	
	T55 (A)	3,200	06Nov70	
	T56 (AF)	13,313	12May83	
	T58 (N)	20,045	11Jun87	
	T64 (N)	38,578	12May83	
	T700-GE-700 (A)	29,697	21Dec88	
	T700-GE-401 (NC Additive To T700-GE-700 Engine) (N)	78,039	15Oct83	
	T700-GE-401/401A (N)	29,697	21Dec88	
	T700-GE-401C (N)	25,450	21Dec88	
	T700-GE-701/701A/701A1 (A)	29,697	21Dec88	
	T700-GE-701C (A)	25,450	21Dec88	
	TF30 (N)	43,866	20Jun79	
	TF34 (N)	20,705	12Mar82	
	TF39 (AF)	441,707	12Mar82	
	TF41-A-2A/2B/400/402/402B (N)	48,249	06Dec84	
Category IX -- Military Training Equipment				
	No Items In This Category Are Defined In The US Munitions List As Significant Military Equipment.			
Category X -- Protective Personnel Equipment				
	No Items In This Category Are Defined In The US Munition List As Significant Military Equipment.			
Category XI -- Military and Space Electronics				
	Center, AN/TYQ-23, Tactical Air Operations (TAOC) (N)	198,000	17May89	
	Center, TAOC-85, Tactical Air Operations (N)			(D)
	Center, Modular Tactical Communications (MTCC) (A)			(D)
	Center, Tactical Flag Command (N)			(D)
	Communication, AN/TSC-86 Satellite (Satcom) Ground System (AF)			(D)
	Countermeasure, AN/ALQ-119 (AF)	6,138	09Dec75	
	Countermeasure, AN/ALQ-126, Spj System (N)	26,631	05Jun85	
	Countermeasure, AN/ALQ-131 (w/Receiver) (AF)	26,970	28Sep79	
	Countermeasure, AN/ALQ-131 (w/o Receiver) (AF)	24,108	28Sep79	
	Countermeasure, AN/ALQ-165, ASPJ (N)	111,425	06Dec84	
	Countermeasure, AN/SLQ-32(V)1 (N)	115,000	25Apr86	
	Countermeasure, AN/SLQ-32(V)2 (N)	250,350	25Apr86	
	Countermeasure, AN/SLQ-32(V)3 (N)	381,803	25Apr86	
	Countermeasure, Torpedo Ex Set 1 System (N)			(D)
	Electronic Warfare Support, Tactical (TEWS) System (AF)	225,434	05Feb92	
	Equipment, Versatile Avionics Shop Test (Vast)			(D)

	(AN/USM-247(V) (N)			
	Information System, Joint Tactical, Information Distribution System (JTIDS) (AF)	1,600,000	11Aug92	(A)
	Information System, Ocean Surveillance (OSIS), Baseline Upgrade (OBU) (N)	6,551,852	27Jan92	
	OSIS, Remote Graphic Workstation	5,874,074	27Jan92	
	Mapping System, MK90 Digital (DMA)	35,102,998	18May89	
	Data Extraction Module	324,248		
	Data Services Module	34,254,561		
	Product Generation Module	91,898		
	Source Preparation Module	432,291		
	Positioning System, Navstar Global (GPS) (AF)	1,000	28Oct87	
	Radio, AN/ARA-54 (A)	40	28Mar89	
	Radio, AN/PRC-119 SINCGARS (A)	803	26Jan90	
	Radio, AN/TRC-170 (AF)	60,622	15Feb84	
	Radio, AN/VRC-12 Series (12, 43 Through 49) (A)	70	15Feb84	
	Radio, AN/Vrc-87 Through 92 SINCGARS (A)	803	26Jan90	
	Radio, RT-1439 Receiver/Transmitter (A)	296	26Jan90	
	Radio, Have Quick A-Net System (AF)	200,000	11Aug92	(A)
	Sonar, AN/SQQ-32 Mine Hunting	1,562,124	13Oct92	(A)
	Sonar, AN/SQR-18a (N)	267,069		
	Sonar, AN/SQR-18a(V)1 (N)	601,837	24May84	
	Sonar, AN/SQR-19, Complete System (N)	1,756,900	21Mar90	
	Shipboard Electronic System (SES)	1,071,800	21Mar90	
	Towed Array Group (TAG)	359,400	21Mar90	
	Sonar, AN/SQS-56 (N)	173,193	19Jul88	
	Sonar System, AN/UQQ-2(V)1 Surtass (Combined Ship And Shore System) (N)	3,029,374	28Aug89	
	Sonar System, AN/UQQ-2(V)1 Surtass, Shipboard System (N)	1,785,000	28Aug89	
	Telephone, AN/TTC-38, Central (A)			(D)
	Telephone, AN/TTC-39 (A)			(D)
	Telephone, AN/TTC-42, Unit Level Circuit Switch (N)			(D)
<b>Category XII -- Fire Control, Range Finder, Optical and Guidance and Control Equipment</b>				
	Fire Control, AN/GSG-10 Director, Tacfire (A)	740,331		
	Fire Control, AN/GSG-11 Director, Tacfire (A)			(D)
	Fire Control, MK1A Computer (N)			(D)
	Fire Control, MK25 Radar (N)			(D)
	Fire Control, MK37 Gun System (N)	24,800	06Dec84	
	Fire Control, MK51-2 Director (N)			(D)
	Fire Control, MK56 Gun System (N)	15,400	06Dec84	
	Fire Control, MK68 Gun System (N)	60,000	06Dec84	
	Fire Control, MK74 Mod-4 Missile System (MFCS) (N)			(D)
	Fire Control, MK86 Gun System (N)			(D)
	Fire Control, MK92 Missile System (Mfcs) (N)			(D)
	Frequency, AN/TSC-85 And AN/TSC-93 Super High (SHF) System, Multichannel			(D)
	Guided Bomb Unit, GBU-10/12 (AF)	203	15Jun87	
	Guided Bomb Unit, GBU-15 (AF)	12,528	11May81	
	Guided Bomb Unit, GBU-16 (AF)			(D)

	Lantirn Navigation And Targeting System (AF) Navigation Pod, AN/AAQ-13	217,453	18May89	
	Targeting Pod, AN/AAQ-14	201,057	18May89	
	Manpack, AN/PSC-1 And AN/PSC-7 Single Channel UHF System (A)			(D)
	Manpack, AN/PSN-6 Loren			(D)
	Mission Payload Subsystem (MPS) Daylight (A)			(D)
	Mission Payload Subsystem (MPS) Forward Looking Infrared (FLIR) (A)			(D)
	Night Vision, AN/PVS-5 Goggles (A)			(C)
	Night Vision, AN/PVS-7A/B Goggles (A)	50	19Jun91	
	Position Location Reporting System, (PLRS) (A)	11,775,783	30Nov88	
	Basic User Unit, Rt-1343/TSQ-129	41,298		
	Master Station, AN/TSQ-129	1,179,261		
	Radar, AN/APG-63 (AF)	410,407	28Mar89	
	Radar, AN/APG-65 (F-18) (N)	29,471	30Mar87	
	Radar, AN/APG-65 (EPA MOU Only)	23,543	21Apr89	
	Radar, AN/APG-66 (F-16A/B) (AF)	30,400	12Apr84	
	Radar, AN/APG-68 (F-16C/D) (AF)	101,120	12Apr84	
	Radar, AN/APS-138 (AN/APS-145) Antenna (N)	162,047	25Feb87	
	Radar, AN/APS-145 (N)	1,078,582	25Feb87	
	Radar, AN/AWG-9 Phoenix (N)	338,403	28Mar89	(B)
	Radar, AN/FPS-117 (AF)	883,053	20Apr89	
	Radar, AN/FPS-118, Over-The-Horizon Backscatter (OTH-B) (AF)	93,682,000	07Jun91	
	Prime Sector	89,098,000		
	Second Sector	3,534,000		
	Third Sector	1,050,000		
	Radar, AN/MPS-39 Multiple Objects Tracking Radar (A)	320,471	21Jan93	(A)
	Radar, AN/SPS-40b (N)	216,746	07May82	
	Radar, AN/SPS-46 (N)			(D)
	Radar, AN/SPS-48e (N)			(D)
	Radar, AN/SPS-49(V)1-4 (N)	143,460	12Apr90	
	AN/SPS-49(V)5	149,146	12Apr90	
	AN/SPS-49(V)6	143,460	12Apr90	
	AN/SPS-49(V)7	149,146	12Apr90	
	Radar, AN/TPQ-36 (A)	252,968	05Jul91	
	Radar, AN/TPQ-37 (A)	920,149	05Jul91	
	Radar, AN/TPS-43 (w/Basic Antenna) (AF)	27,462	05Feb86	
	Radar, AN/TPS-63 (USMC Baseline) (N)	45,557	07May87	
	Radar, AN/TPS-71 Relocatable Over The Horizon (ROHTR) (N)	15,076,923	20Apr90	
	Sight, Mast Mounted (A)	209,265	10Aug93	(A)
	System, Marine Integrated Fire And Air Support System (MIFASS) (N)			(D)
	Target Acquisition, MK23 Mod-0/8, System (TAS) (A)			(D)
	Target Acquisition Designation Sight (TADS) (A)	202,591	30Dec83	
	Target Designator, AN/AVQ-26 Laser Pave	643,071	11Jun87	

	Tack (AF)			
	Terminal, AN/GSC-39(V) DSCS Medium (A)			(D)
	Terminal, Light For AN/TSC-86 (A)			(D)
	Terminal, Single Subscriber (SST) (A)			(D)
	Weapon System, MK7, Aegis, (w/o Standard Missile and MK41 Vertical Launch System) (N)	16,288,000	25Feb87	
	Weapon System, Close In (CIWS), Phalanx (NC is Per Gun Mount) (N)	287,842	28Oct78	
<b>Category XIII -- Auxiliary Military Equipment</b>				
	No Items In This Category Are Defined In The Us Munitions List As Significantly Military Equipment.			

### *Notes*

*A. New Since 12Aug92.*

*B. The Effective Date Of 28Mar89 Has Been Assigned To Items Where One Charge Exists Without An Effective Date Identified*

*C. No Charge*

*D. If There Has Been An Investment In Nonrecurring Cost And The Calculation Of The Charge Has Not Been Completed And A Sale Is Pending, Contact DSCA To Obtain The Required Charge.*

*E. For Older Ship Design, A Percentage Charge (3.5%) For Recoupment Of Nonrecurring Cost Will Be Established At A Time Of Actual Demand For FMS Or Commercial Sale Proposals.*

## **Section 701 -- Preparation and Processing of LOAs**

### **70101 -- Purpose.**

This section provides instructions for LOA preparation in response to country requests. It also cites other sections which bear directly on LOA preparation.

### **70102 -- Policies.**

A. **LOA Use.** The LOA will be used for FMS of defense articles and services (items). It will list items offered and, when properly developed, becomes an official tender by the USG. The acceptance constitutes the agreement by the Purchaser and, with applicable funding, completes the contract.

B. **Standard Information.** Standard Terms and Conditions in Table 701-1 are an official part of each LOA, whether or not they are attached to a particular copy. LOA Information in Table 701-1 provides courtesy information only. Both must be attached to the original LOA, which will ultimately be signed by the customer. A copy of the LOA and all attachments must be retained by the LOA preparer or its successor organization in the official US LOA record file. With exception of the US record copy held by the IA, the Table 701-1 attachments should accompany only the original LOA. To help prevent unauthorized versions of the LOA, computer

or manually-generated replicas of the Standard Terms and Conditions or Information in Table 701-1 will not be used.

C. **Supplemental Information.** Standard Terms must be supplemented with additional items or notes for each Offer in order to make obligations clear. @@ When LOAs are prepared before details are known, “notes” will include general coverage of this information and an estimate of when specific information on these topics can be provided to the Purchaser. These notes may be shared in advance with the Purchaser to insure any Purchaser-unique requirements are accommodated. @@ (Changed by E-Change 7, 13 Sep 99)

D. **Quality Control.** IAs must ensure that adequate controls exist to assure mathematical and factual integrity, and completeness, of the LOA package.

E. **Program Consolidation.** LOAs involving major systems or end items will include supporting items as opposed to negotiating separate LOAs for each of these items.

F. **Travel for Purchaser Personnel.** The Purchaser is responsible for all travel for its personnel on assignment in the US or required in conjunction with FMS programs. These services or costs will not be included on the LOA.

G. **NC Charges.** LOAs will not normally be established for the sole purpose of collecting nonrecurring costs. LOAs that sell a TDP for production purposes must include an obligation for the Purchaser to pay the USG an NC charge per unit of production which may be fixed subsequently by an LOA Amendment. Pro rata NC charges for articles sold under FMS will be included in the unit price. @@ This cost may be disclosed to the Purchaser on the LOA or through other means as desired (reports, meetings, discussions, etc.). Due to inclusion of sensitive US technical production information, data regarding USG cost pool and production quantities used to determine NC charges will not be released outside DoD. (see SAMM, paragraph 50202.B.4. and DoDD 2140.2). @@ (Changed by E-Change 7, 13 September 1999)

H. @@ **Purchaser Participation in the LOA Preparation Process.** Purchaser involvement early-on in the LOA development process is essential to insure the final document provides the best “fit” for their requirements. Purchasers should be encouraged to attend meetings and receive correspondence designed to clarify Letter of Request (LOR) information. As the development of the LOA progresses, there will be many instances where Purchaser participation and input are necessary. For example, the Purchaser should help identify unique requirements and special needs which must be accommodated in the final sales document. Any unique notes or conditions being considered may be provided to the Purchaser for advance review to ensure these special case/program-unique needs are addressed. @@ (Added by E-Change 7, 13 September 1999)

### **70103 -- General Procedures.**

A. **LOR Validation.** Upon receipt, the LOR must be validated to ensure the potential Purchaser is an eligible FMS recipient, that the item sought may be sold, and that the request was received through proper channels (see paragraph 70003.A.2).

B. **@@ Timeframes.** The IA must formally acknowledge receipt of LORs within 5 days. Transactions for valid LORs must be submitted to the 1200 System within 10 calendar days of receipt of the request (see Chapter 15). LOAs must be listed in the 1200 System prior to requesting DoS approval; i.e., prior to countersignature or, if applicable forwarding directly to the requestor. The maximum processing time between IA receipt of the LOR and release of the LOA or Amendment should normally be no more than 120 days, with no adjustments for hold times or any other consideration. Because unforeseen delays may occur while processing some LOAs, IAs should process at least 80% of their total number of LOAs within 120 days. **@@** (Changed by E-Change 21, 15 February 2001)

C. **Cost Data Exclusion.** The percentage rate used for determining PC&H, administrative, CLSSA, or other costs should not be indicated in the LOA.

D. **Individual Responsible.** The name and telephone number of the individual within the IA who is responsible for the LOA should appear in the Signed Copy Distribution field as illustrated in Tables 701-1 and 804-1.

E. **Coordination.** LOAs and LOIs should be coordinated through the IA comptroller and legal counsel. The DSCA point of entry for coordination is the DSCA COMPT FMS. DSCA, including OSD, coordination will be accomplished by Operations Directorate, including documents which require countersignature. DSCA approval/disapproval will be provided from FMS.

F. **Documents to Accompany LOAs During Coordination.** Documents discussed in this paragraph will not be provided to the Purchaser. See Section 703 for LOAs which meet criteria for reporting to Congress and Section 140008 for Financial Analysis for SDAF lines. Termination Liability Worksheets (see Table 701-2), to provide the IA's plan for the collection of funds to cover the liability to the USG should the LOA be terminated prior to normal completion, are to be included with selected LOAs as follows:

1. LOAs with a total value of \$25M or more will be accompanied by a TLW when submitted to DSCA for countersignature. Modifications or Amendments that contain a revised payment schedule will also contain a revised TLW. For LOAs below the \$25M threshold, a formal certification that termination liability has been included in the payment schedule should be added to the LOA file.
2. Entries for each date should show both the quarterly transactions and the cumulative totals. The TLW will include:
  - a. The deposit date, normally quarterly, in accordance with the schedule of payments.
  - b. The total payment, including the amount to be deposited for both disbursements and reserves.
  - c. Anticipated payments to contractors or suppliers during the three months after payment date plus amounts required to cover potential costs during that period for:



(1) Contractor holdback, which is a percentage of the amount earned by the contractors or suppliers that is retained by the USG to ensure contract compliance.

(2) Termination liability, to cover the financial liability of the USG should the contract be terminated.

3. TLWs are not required for CLSSA, BO, source code “S”, or “Cash with Acceptance” LOAs.

4. IAs will attach two copies of the TLW with the cover letter forwarding the LOA package to DSCA COMPT FMS for countersignature. FMS will provide one copy to COMPT FM and the other to DFAS-DE/I with the advance copy of the LOA. DFAS-DE/I will ensure the TLW is retained after the Purchaser signed copy of the LOA is received. The TLW must be loaded into DIFS prior to implementation. For any LOA, Amendment, or Modification exempt from countersignature, IAs should provide TLW copies to DSCA COMPT and DFAS-DE/I.

G. **Countersignature.** Unless specifically exempted (e.g., LOA Amendments and Modifications exempted in Section 804), all LOAs, Amendments, Modifications, and LOIs require DSCA countersignature. Those exempted will show, in the countersignature block, the pertinent SAMM section or other authority for exemption.

1. Upon finalization, or five days prior to the expiration of the Congressional review period for AECA Sec 36(b) notifications, IAs will forward the signed original documents plus two copies (three when FMF or MAP funded) to DSCA. DSCA COMPT will forward all submissions to DSCA Regional Directorate for coordination.

2. Subsequent to countersignature, DSCA COMPT will return the original to the IA for processing to the prospective Purchaser; forward a copy to DFAS-DE/I with the TLW if applicable; and retain a copy in order to enter appropriate information into the DSCA FMS data base.

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3. Definitizing Documents (DD’s) for the SANG Modernization Program do not require countersignature by DSCA. The LOA will cite “This Definitizing Document is financially dependant on ZAC.” near the Terms of Sale and should be annotated with “Not Required -- IAW SAMM 70103.G” and a date. (Added 28 June 01)@@

H. **Automated Case Approval System (ACAS).** ACAS is designed to expedite DoS clearance for certain LOAs, amendments, and modifications. If a case does not require clearance by DoS, ACAS processing is not applicable.

1. ACAS will not be used for defined line LOAs, amendments, and modifications, other than for training; LOAs, amendments, or modifications included in AECA Sec 36(b) notifications; offering SDAF, EDA, or TDPs; or cases involving FMF, including residual MAP merger, or third country financing; LOAs with waived costs (except where previously approved);

country-cash financing by El Salvador, Greece, Honduras, Japan with dual payment schedules, Jordan, Kuwait basic cases, Pakistan, Saudi Arabia, Taiwan, or Turkey.

2. With exception of exclusions listed above, and following DoS approval, IAs may issue to the Purchaser ACAS-processed BO, CLSSA, and defined line training LOA documents. This includes basic LOAs, amendments with an overall dollar value increase; concurrent notices of modification; and scope increases, irrespective of dollar value. For hardware cases where costs are increased by \$13M or more, a statement must be included that “this case contains no MDE.” When services involving travel to the recipient country (such as a TAFT) are included, a statement must show “this case contains PCS personnel.” These statements, when appropriate, should follow the item description.

3. IAs should annotate the LOA on the DSCA countersignature line “SAMM 70103.H.” The DSCA countersignature line date should reflect the date of DoS approval or later.

4. The IAs will provide one copy of each LOA issued to a foreign government or international organization, along with applicable termination liability worksheets (TLWs) to DSCA/COMPT-FM and DFAS.

#### **70104 -- Preparing the Letter of Offer and Acceptance.**

A sample completed LOA is included in Table 701-1. Information which is not part of the basic format is bracketed and in bold type for emphasis (brackets should be excluded, and normal type used, in actual LOAs). The following guidance also applies.

A. LOAs reported under AECA Sec 36(b) will include at the end of Terms of Sale on page one the DSCA transmittal number used in the statutory Congressional notification (e.g., Congressional notification 92-15).

B. An expiration date of 85 days (25 days for additional administrative processing and 60 for country review) following IA signature should be used. A note should explain any instances when the Purchaser will have less than 60 days for review; for example, where the Purchaser requested expedited shipment or the quote is contingent on award by a certain date.

C. The blank entry in “This page through page \_\_\_\_ attached are,.” will be the total pages of the LOA, excluding the Standard Terms and Conditions and courtesy Information.

D. The LOA should be signed for the US prior to forwarding to DSCA for countersignature or, when applicable, directly to the requestor. The US Signature is an authorized IA representative. The date is the day, month, and year the LOA is forwarded.

E. The Items to be Supplied information should show the following --

1. The LOA will contain a separate line for each article that is measured in units (U/I “EA” in Section 1503). For LOAs with more than one significant article or service, number each consecutively, normally grouping items and support from most to least substantial (e.g., determined by line dollar value, sequence of phased execution, or other organized breakout).

Sub-lines may be used to the extent they are compatible with MASL breakout and reporting by generic code identification.

2. The LOA will group dollar-denominated items (U/I “XX” or blank), such as spare parts and training, to the extent that common generic codes apply (e.g., tool kits with identical generic codes should be under a single line).

3. Item Description/Condition must include the correct Generic Code and MASL line data (Section 1503), NSN or part number, MDE (Y)/non-MDE (N) code, a description of the articles or services, and the condition code or reference to a note in which the condition will be shown.

a. References to other information within the LOA may also be included; for example, for weapons systems, the reference may relate to an attachment to the LOA which will include descriptive information for individual items grouped generically in the item description column.

b. When EDA are sold under the AECA and included in an LOA line, “Excess Defense Articles, Acquisition Value is \$ \_\_\_\_\_” must be at the bottom of the item description for that line.

4. If all line items cannot be listed on the second page of an LOA, show only the program total and list the remaining items on continuation sheets.

F. Quantity, Unit of Issue, and Unit and Total Costs information should be entered, as applicable. Source Code, Months (availability following acceptance), Type of Assistance (TA) or Training Notes, Offer Release Code, and Delivery Term Code entries are discussed in LOA Information (Table 701-1). When more than one code applies, “Note \_\_\_\_” should be shown and an explanatory note should be included in the LOA.

G. Where the unit or extended price exceeds \$100, cost information may be rounded to the nearest whole dollar. Charges other than those below should be detailed in a note.

1. Net Estimated Cost is the estimated articles and services costs, which should not include administrative or accessorial charges.

2. Charges for Packing, Crating, and Handling; Administrative Charge; and Supply Support Arrangement are based on percentages in the FMR.

H. Terms of Sale are based on Paragraph 130104.C (Cash, FMS Credit, FMS Credit Non-Repayable, or MAP). The IA should enter the type and amount of funds. DSCA will adjust the type and amount of funds at the time of countersignature, consistent with availability of funds, or return the LOA to the IA for repricing as required. In order to reduce prices charged to MAP or FMS Credit Non-Repayable, the IA should advise recipients to use these funds to wholly finance LOAs which include NC or military pay costs.

I. “Initial Deposit” will be shown in lieu of the date as the first entry under Payment Date, with the amount under Quarterly and Cumulative.

## **70105 -- Additional Considerations.**

The following subparagraphs are aligned to the column “Supplementary Information for Letters of Offer and Acceptance” in Table 701-3. The Checklist shown in Table 701-4 may be used at the option of the IA.

A. **Shipments.** See Section 802 for additional transportation information and Tables 701-5 and 701-6 for additional transportation terms and conditions. See Chapter 5 for export licensing and customs clearances.

1. FMS recipients must have the continuing capability to transport their materiel. Any use of DTS, to include related terms and conditions for movement, must be stated in the LOA. DBOF items; firearms; explosives; lethal chemicals; other hazardous materiel, air cargo that exceeds commercial capability; and, occasionally, classified materiel are moved within DTS.
2. Other use of DTS must be approved by DSCA and OUSD(A&T) on a case-by-case basis. Each request to allow special use of DTS must be supported with a statement that shows projected tonnage, special transportation requirements, and other relevant information that would justify the commitment of DoD transportation assets. Upon approval, the extent of the authorization must be shown in the LOA.
3. For items not routinely shipped via DTS, the normal method of movement of FMS materiel is by commercial carrier to the freight forwarder designated by the Purchaser. Offer Release, Delivery Term, Mark For, and Freight Forwarder codes help the USG and Purchaser understand that materiel will be shipped by collect commercial bill of lading to freight forwarders or as coded based on DoD 4140.17-M. DoD 4000.25-8-M (MAPAD) should be used to guide Purchasers to provide Mark For and Freight Forwarder codes.
4. Procedures above also apply to repair and return. The IA should assure that the LOA for the repair and return of materiel provides, when possible, a Purchaser schedule for returns and a CONUS address for return of each item.
5. The FMS Purchaser must advise whether aircraft will be delivered by commercial ferry service (arranged by the customer), DoD ferry, or surface transportation. LOAs will contain the stipulation that delivery will be made only under one of the following conditions:
  - a. In the event flight delivery of the aircraft is desired by the Purchaser, the aircraft must be placed in safe condition consistent with established standards of the military service of origin or FAA. Required maintenance may be done through negotiation with the IA or FAA certified facility, and costs will be borne by the Purchaser. Aircraft will be released for flight only after an inspection by the service or FAA, as appropriate, has determined that standards have been met. Table 701-5 shows examples of terms and conditions for aircraft ferrying, which may be amplified to comply with specific requirements.
  - b. Aircraft not to be restored to the criteria above will be sold with the understanding that they will be delivered to destination by surface transportation only.

B. **Delivery Schedule.** The MOS (months) entry on the LOA provides the estimated leadtime from the date of LOA acceptance to the date of delivery. A schedule of estimated in-country or CONUS equipment deliveries by month will be provided for major end items. When, due to Purchaser request or to meet program scheduling needs, items are not to be delivered earlier than a specified date, this should be shown on the LOA.

C. **Personnel Movement.** Coordination of actions necessary to select and schedule personnel travel required to provide services under the LOA is normally completed concurrent with other steps taken to complete the program.

D. **Qualifications Regarding Validity of Data.** Deviations from the LOR, extraordinary reservations concerning the price quoted, and the extent to which either the price or availability is dependent on action to be taken by the USG (e.g., selection of equipment for US forces) are examples where further explanation should be included.

E. **PCS and TDY Clearance With US Chief of Mission.** The IA will notify the SAO by message of any requirements for assignment of PCS (but not TDY) personnel to Purchaser country, including projected start date and duration, number by rank or grade and specialty, and in-country location. DSCA Operations, the unified command, SecState (FMP/MP and PM/DRSA), and the embassy will be information addressees. The SAO will coordinate with the US chief of mission and report PCS personnel support cost data, as well as obstacles to their acceptance or support, to the IA. The IA will include PCS personnel support costs in the LOA and will advise of the PCS requirement and of any support problems in the cover letter when the LOA is submitted to DSCA for countersignature. LOAs which include PCS or TDY personnel should specify, to the extent known:

1. The number of personnel who will perform the task.
2. Planned dates of arrival and departure.
3. In-country destination and "home station."
4. Extent of in-country travel required.

F. **Personnel Protection and Related Costs.** For the purpose of performing services outside the US, "US personnel" as discussed below and in Table 701-7 pertains to personnel involved in the performance of actions under the LOA.

1. In carrying out LOA programs, it is desirable that US personnel operate to the extent possible in safety and immunity in US-type conditions. A government-to-government SOFA is commonly used for acquiring safety and immunity for US personnel. Where the MILDEP General Counsel (GC) indicates a SOFA (see Table 701-8) or SOFA-like agreement exists, which is pertinent to the SA case at hand, that agreement may be referenced in the LOA and noted in the countersignature cover memo in order to highlight to DSCA that DSCA/DoD GC approval may be required.
2. The DoD GC has advised that inclusion of SOFA-like status provisions in an LOA requires that the LOA be staffed through DoD in accordance with procedures for staffing international agreements in DoDD 5530.3 (see Section 140103). Since these procedures are complex and require the development of specialized supporting documentation, inclusion of

status provisions in LOAs should be avoided if possible. Status provisions will not normally be used to require compliance when authority to ensure compliance is outside the Purchaser's defense establishment. Individual situations should be brought to the attention of DSCA for coordination during LOA preparation.

3. Provisions for recouping costs associated with in-country duty (e.g., currency revaluation, unanticipated import/export charges) are covered in LOA Standard Terms and Conditions and do not normally require special LOA provisions. Where it is envisioned that failure by the Purchaser to abide by existing SOFA or other status provisions may result in increased costs associated with an FMS program, Table 701-7 shows sample terms and conditions and required Purchaser actions which can be used as a guide.

G. **Separate MOU or Detailed Statement of Work (SOW).** Major programs may call for an MOU or SOW, which should be referenced or attached to the LOA. For routine LOAs, a detailed SOW can be avoided by providing the following information:

1. Description of the nature of the service to be performed, together with its purpose;
2. Statement of where and how the service will be performed; and
3. Statement of the anticipated result when the service is completed, together with any information of which the Purchaser should be aware regarding USG reservations or qualifications as to the probable success of the project.

H. **Schedule of Personnel Training.** Defined line LOAs should include firm scheduling of personnel into specific training courses. When this is not feasible, LOAs should set forth training plans and schedules in general terms, and should show the need to define training needs at a later date. BO LOAs for training will include "notes" to explain the scope of coverage and methods for definitizing and requesting courses. LOAs must specify Purchaser responsibilities such as providing pay and allowances, housing, qualified students, and any required supervision thereof.

I. **Logistics Information.** This supplements Section 802.

1. LOAs will show the configuration of equipment being sold, but will furnish detailed equipment specifications only if required. Variations from standard USG configurations will be noted, together with risks which might be assumed as a result of the variance. The notes will highlight any purchase of a configuration contrary to that recommended by the USG.
2. LOAs will include any requirement for, and scheduling of, logistics conferences or other program management actions for the purpose of definitization. The costs of such conferences which occur prior to acceptance of the LOA can be funded from the Administrative Budget Account Allocation of the IA, with reimbursement from the Program Management line of the LOA after it is accepted. Funding is discussed in Section 702. These actions pertain to approved programs and are distinguished from AECA Sec 26 survey teams (Section 400).
3. The IA will assure that at least a one-year supply of concurrent (initial) spare parts, through fourth echelon, at US peacetime usage rates, are included with equipment being

offered. Such spare parts packages should be identified on the LOA by category and total value rather than by article.

4. For offers of MDE items, the Purchaser will be advised of the estimated period that USG repair parts support will be available.

5. If the Purchaser has requested that procurement of a particular item is to be provided from a single source, the designation will be addressed in the “notes” (see Section 80102).

6. Any USG intent to develop logistics or maintenance support plans will be specified.

7. The basis for logistics support costs will be specified. These should include the period of support of the initial spares package, operational deployment of equipment, level of maintenance to be accomplished by the Purchaser, number of maintenance sites, or other basis as applicable.

8. To ensure logistics support of weapons systems, the LOA should identify critical long-leadtime items which must be procured in advance of total program definitization.

9. Known limitations in condition must be shown using codes in Table 701-1 or in “notes”. The LOA should specify that the cost of any rehabilitation is not included in the “as-is” price. The Purchaser should normally be invited to inspect, in advance of receipt of the LOA if possible, major items and substantial quantities of excess equipment being sold in “as-is” condition.

10. CLSSA and BO LOAs must show supported major items.

J. **Responsibility for Initiation of Requisitions.** The LOA will show which party is to initiate requisitions. If a Purchaser responsibility, the LOA will contain information to enable correct requisition initiation and routing.

K. **Payment Schedule Requirement.** Unless the initial deposit constitutes the total value of the LOA, each LOA financed under Terms of Sale Dependable Undertaking, Cash Prior to Delivery, FMS Credit, MAP, or any combination thereof will include a payment schedule. This payment schedule will show the calendar dates when each payment is required and the amount due on each calendar date. The total of these amounts will be equal to the amount reflected on the LOA “Total \$” line. An LOA for any Purchaser currently or anticipated to be approved for FMS funding will include the following note:

*“If terms of sale specify payment under a Foreign Military Financing (FMF) agreement between the Purchaser and DoD, Purchaser will pay to the USG, on a dependable undertaking basis, such costs as may be in excess of the amount funded by the FMF agreement.”*

L. **Additional Notes.** Advice should be obtained from the IA legal office when special circumstances require an expansion of standard or supplemental indemnity clauses included in this Section.

1. ***Ammunition and Other Explosives.*** Offers for these items will include the following:

The USG is a self-insurer and, in this connection, your attention is invited to Standard Terms and Conditions 1.2 and 3.1. DoD shall employ the same inspection procedures for ammunition and other explosives as would be used in the procurement of these types of items for itself. Lot production of ammunition and other explosives, however, carries risks associated with the items' resultant performance. This risk is assumed by the USG in procurement for its own use, and this risk is also assumed by the Purchaser in procurement for its use under this Offer. Accordingly, financial restitution will not be made for claims made on SF 364 ROD (see Standard Condition 5.4) for deficiencies pertaining to these items unless such claims involve damage due to USG actions with respect to compliance with applicable inspection criteria and procedures, or USG actions with respect to packing, crating, handling, or transportation, or unless the USG can obtain equal restitution from its contractor.

2. ***Patent Rights.*** In the event that an individual, commercial entity, or foreign country should assert ownership of a foreign patent on an item to be sold under FMS, and there are reasonable grounds for the belief that a Purchaser may be subjected to a possible claim for infringement, DoD components, in coordination with DSCA, are authorized to make such a sale, provided a note is added advising the Purchaser of the existing allegation of a foreign patent right. The note should read substantially as follows:

*(Name of individual, commercial entity, or foreign country, and address)* has alleged rights in certain components of the *(item)* offered herein. In this connection, the Purchaser's particular attention is invited to Standard Condition 3.

3. ***Security Assurances.*** As appropriate, the following note should be included in LOAs:

- a. For LOAs with NATO Commands or Agencies --

All US classified material or information (to include plans, designs, specifications, and technical data) provided under this Letter of Offer and Acceptance shall be protected as NATO classified information of an equivalent classification level in accordance with the policy and procedures contained in NATO Document C-M(55)15 (Final), 'Security Within the North Atlantic Treaty Organization'.

- b. For Purchasers who propose to take custody of classified materiel in the US, and who comply with the provisions of Paragraph 50111.C.1, the IA will incorporate the transmission instructions (an alternative for shipment of classified materials) or the requirement for an approved transportation plan (see Table 503-4) into the security requirements of the LOA.

4. ***@@ Offset Costs.*** (See paragraph 80106) All LOAs involving non-competitive procurements will contain the following note:

"The DoD is not a party to any offset agreements/arrangements which may be required by the Purchaser in relation to the sales made in this LOA and assumes



no obligation to administer or satisfy any offset requirements or bear any of the associated costs. To the extent that the Purchaser requires offsets in conjunction with this sale, offset costs may be included in the price of contracts negotiated under this LOA. If the Purchaser desires visibility into these costs, this should be discussed with the contractor at the time the offset agreement is signed. The contracting officer will ensure that the offset costs priced into the FMS contract are reasonable and consistent with the offset agreement.” @@(Rewritten by E-Change 31, 22 May 02; Replaced E-Change 8, 19 Jan 2000)@@

5. **Shipment Consolidation.** LOAs shall contain the following note when substantial shipment consolidation of the articles thereon is anticipated:

This is supplemental to LOA Standard Terms and Conditions provision 5.4. If the USG determines that delivery was delayed more than 90 days following passage of title due to shipment consolidation, the date of the shipment from the consolidation location may be used as the start point in determining the one year period for claim eligibility only.

6. **OT&E Incomplete.** If the LOA includes developmental systems which have not yet been approved for US production [i.e., Defense Acquisition Board full rate production, following successful final OT&E (Milestone 3.b), has not been approved], a note will be added which concisely summarizes the potential effects on the program if the system does not receive production approval.

7. **Environmental Hazards.** Add the following when unusual environmental hazards are expected as a result of the sale:

*“There may be items included in this sale that require special skills or equipment for operation, maintenance, or disposal in a manner which will minimize environmental hazards. Purchaser should refer to [technical manual or other source data] for details.”*

8. **TOW-2B.** For each FMS offer of TOW 2B missiles, the applicable DSCA country director will be consulted regarding the need to add the following LOA note:

**Physical Security and Accountability.** The [SAO] will be permitted, at its discretion, to conduct an inspection and physical inventory of all missiles transferred under this LOA. Upon request, the inventory and accountability records maintained by the Purchaser will be made available to the US personnel conducting this inspection.

9. **Man-Portable Air Defense Systems**

a. The following note should apply to sales to NATO, NATO Nations, Japan, Australia, and New Zealand:

*“Purchaser agrees to adhere to the following additional security requirements associated with [insert appropriate missile/system]. Modification of specified requirements to meet indigenous conditions may be approved by the Office of the Deputy Chief of Staff for Operations and Plans (DAMO-ODL-S), US Army.*

*“a. **Physical Security.** The [insert appropriate missile] will be stored in magazines that are at least equivalent in strength to US Army requirements as specified in subparagraph (1) below. The Purchaser also agrees to comply with US Army specified requirements for lighting, doors, locks, keys, fencing, and surveillance and guard systems. Specific requirements will be agreed upon and installed prior to delivery of the missile system. US Army representatives will be allowed to verify security measures and procedures established for implementation of these requirements.*

*“1. **Magazines.** Reinforced concrete, arch type, earth covered whose construction is at least equivalent in strength to the requirements of Chapter 5, Department of Defense Manual 6055.9 -- STD, Ammunition and Explosive Safety Standards, July 1984, will be used for storage (standards of which will be provided to the Purchaser).*

*“2. **Lighting.** Lighting will be provided for exterior doors and along perimeter barriers. Security lighting requirements will conform to the ammunition and safety requirements of US Army Technical Manual 9-1300-206, appendix C (standards of which will be provided to the Purchaser).*

*“3. **Doors, Locks, and Keys.** Exterior doors will be class five steel vault doors secured by two key-operated high security padlocks and a high security shrouded hasp. Keys will be secured separately to ensure effective two-man control of access (i.e., two authorized persons must be present to enter). Use of a master or multiple key system is prohibited.*

*“4. **Fencing.** Fencing will be six foot (minimum) steel chain link with a one foot overhang mounted on steel or reinforced concrete posts over firm base. Clear zones will be established 30 feet inside and 12 feet outside the perimeter fence (provided there is adequate space).*

*“5. **Surveillance and Guard.** A full-time guard force or combination guard force and intrusion detection system (IDS) will be provided. When the IDS is not operational, 24 hour guard surveillance is required.*

*“6. **Access to Storage Facilities.** Two authorized persons will be required to be present during any activity which affords access to storage facilities containing [insert missile/system]. Lock and key procedures will be developed to ensure that no single individual can obtain unescorted or unobserved access to [insert missile/system] storage facilities.*

*“b. **Accountability.***

*“1. A 100 percent physical inventory of [insert items required to be inventoried], when applicable, will be taken monthly by the Purchaser. A 100 percent physical inventory by serial number shall be taken quarterly of [insert items] issued at the operational unit level. A 100 percent physical inventory by serial number shall be taken semiannually of [insert items] stored or retained at installation, depot, post, or base level. All inventories must be conducted by two authorized persons to ensure verification. [Insert items] expended during peacetime will be accounted for by serial number.*

*“2. The [insert appropriate foreign country SAO] will be permitted to conduct a US inspection and inventory of [insert items] by serial number annually. [As appropriate, insert {items}] are required to be inventoried annually by physical count.] Inventory and accountability records maintained by the Purchaser will be made available for review.*

*“c. **Transportation.** Movements of [insert appropriate missile] will meet US standards for safeguarding classified materiel in transit as specified by the USG in DoD 5100.76-M, Physical Security of Sensitive Conventional Arms, Munitions, and Explosives (standards of which will be provided to the Purchaser), and paragraph 8 below.*

*“d. **Access to Hardware and Classified Information.***

*“1. Access to hardware and related classified information will be limited to military and civilian personnel of the purchasing government (except for authorized US personnel as specified herein) who have the proper security clearance and who have an established need to know the information in order to perform their duties. Information released will be limited to that necessary to perform assigned responsibility and, where possible, will be oral or visual only.*

*“2. Maintenance which requires access to the interior of the [insert missile, operational system, etc] beyond that required of the operator, and maintenance or repair which requires access to the interior of the guidance assembly of [insert item(s)] will be performed under US control.*

*“e. **Compromise, Loss, Theft, and Unauthorized Use.** The Purchaser will report through the security assistance office and country team to the DoS by the most expeditious means any instances of compromise, unauthorized use, loss or theft of any [missile and any other material] or related information. This will be followed by prompt investigation and the results of the investigation will be provided through the same channels.*

*“f. **Third-Party Access.** The recipient will agree that no information on [insert appropriate missile] will be released to a third-country government, person or other third-country entity without US approval.*

*“g. **Damaged/Expended Materiels.** Damaged [insert systems, material] will be returned to the US Army for repair or demilitarization.*

*“h. **Conditions of Shipment and Storage for [insert missile system].** Principal components (missiles and, as applicable, gripstocks or launchers) of the [insert missile system and any other items requiring separate storage] will be stored in at least two separate locations and will be shipped [show how; e.g., in separate containers, separately]. The storage locations will be physically separated sufficiently so that a penetration of the security at one site will not place other sites at risk.*

*“i. **Conditions of Use.** Assembly of the system will not be permitted for field exercises or deployments wherein the use of the [insert appropriate missile] system is simulated. In such cases, inert training devices may be used. The recipient will use information on the [insert appropriate missile] only for the purpose for which it was given.”*

b. All sales of MANPADS to nations other than those identified in a. above will include notes in a., with exception of subparagraph i. Subparagraph i, “Conditions of Use,” will be replaced with:

*“i. **Conditions of Use.***

*“1. The two principle components of the [insert appropriate missile system and any other items] may be brought together and assembled under the following circumstances:*

*“(a) In the event of hostilities or imminent hostilities.*

*“(b) For firing as part of regularly scheduled training; however, only those rounds intended to be fired will be withdrawn from storage and assembled.*

*“(c) For lot testing; however, only rounds to be tested will be withdrawn from storage and assembled.*

*“(d) When systems are deployed as part of the point defenses of high priority installations or activities (e.g., key government buildings, military headquarters, essential utilities, air defense facilities).*

*“2. The Purchaser will advise the US Security Assistance Organization in advance of any assembly of the various missile and [insert any other items] for the [insert appropriate missile] for training or lot testing.*

*“3. The US Government will be notified of deployments through the Security Assistance Organization.”*

c. @@ (Paragraphs 70105.L.9.c through 70105.L.9.d.(8) moved to Paragraph 20301.K.)@@ (Changed by E-Change 1, 12 Aug 1998)

10. @@ **Anthrax Vaccine.** The following note applies to all LOAs with anthrax vaccine: “The Purchaser agrees the US Government will not incur liability for adverse reactions, morbidity, mortality, or any other actual or possible consequential damages resulting from use, storage, or handling of anthrax vaccine by the Purchaser, to include acts or omissions of its officials, agents, or employees. The Purchaser further agrees to indemnify and hold harmless the US Government for any and all liability in the event liability is incurred.” @@ (Added by E-Change 1, 12 Aug 98)

11. @@ **NC Charges.** Add one of the following notes, as applicable, for each defined line LOA:

Note Name	Note Usage	Note Text
Nonrecurring Costs - Apply	Mandatory for LOAs when an NC charge applies and has been included in the price.  Mandatory for Amendments and Modifications when:	“Nonrecurring Costs (NC) apply to line item(s) [insert numbers] of this FMS case and are included within the cost of the line item.”

Note Name	Note Usage	Note Text
	<p>(1) line items are added and the NC charge applies to the new lines and has been included in the price; or</p> <p>(2) quantities are increased on line items where an NC charge applies and has been included in the price.</p>	
Nonrecurring Costs – Apply (Estimated)	<p>Mandatory for LOAs when an NC charge applies but final NC rates have not yet been established so an estimated amount has been included in the price.</p> <p>Mandatory for Amendments and Modifications when:</p> <p>(1) line items are added and the NC charge applies to the new lines but final NC rates have not yet been established so an estimated amount has been included in the price; or</p> <p>(2) quantities are increased on line items where an NC charge applies but final NC rates have not yet been established so an estimated amount has been included in the price.</p>	<p>“Nonrecurring Costs (NC) apply to line item(s) [insert numbers] of this FMS case. An estimated amount for NC is included in the price of the line. Once a final NC value is approved by the USG, a Modification will be issued to adjust the price.”</p>
Nonrecurring Costs – Do Not Apply	<p>Mandatory for LOAs when no NC charges apply to any line on the case.</p> <p>Mandatory for Amendments and Modifications when:</p> <p>(1) line items are added and no NC charge applies to the new lines; or</p> <p>(2) quantities are increased on line items where no NC charge applies.</p>	<p>“No Nonrecurring Costs (NC) apply to this FMS case.”</p>
Nonrecurring Costs – FMS Credit (Non-Repayable)	<p>Mandatory for LOAs when an NC charge applies but the Term of Sale is “FMS Credit (Non-Repayable).”</p> <p>Mandatory for Amendments and Modifications when the Term of Sale remains “FMS Credit (Non-Repayable) and:</p> <p>(1) line items are added and the NC charge applies to the new lines; or</p> <p>(2) quantities are increased on line items where an NC charge applies.</p>	<p>“Nonrecurring Costs (NC) apply to line item(s) [insert numbers] of this FMS case. These charges are not included on this case because the Term of Sale is “FMS Credit (Non-Repayable).” If the Terms of Sale on this case are changed to include other terms, NC charges will be added to this case unless a waiver is requested and approved.”</p>

Note Name	Note Usage	Note Text
Nonrecurring Costs – Waiver Approved	<p>Mandatory for LOAs when an NC charge applies, but has been waived.</p> <p>Mandatory for Amendments and Modifications when:  (1) line items are added and an NC charge applies to the new lines and has been waived; or  (2) quantities are increased on line items where an NC charge applies and has been waived.</p> <p>The note should identify the DSCA I-number and date of all NC waivers that have been granted against the case.</p>	<p>“Nonrecurring Costs (NC) apply to line item(s) [insert numbers] of this LOA. The customer’s request to waive these charges has been approved by DSCA memorandum I-[insert number], dated [insert date]. Therefore, these costs have not been included in this case.”</p>
Nonrecurring Costs – Waiver Under Review	<p>Mandatory for LOAs when an NC charge applies and (1) the costs are included in the price; and (2) a waiver has been requested but has not yet been approved/disapproved.</p> <p>Mandatory for Amendments and Modifications when:  (1) line items are added and an NC charge applies to the new lines and a waiver has been requested but not approved/disapproved; or  (2) quantities are increased on line items where an NC charge applies and a waiver has been requested but not approved/disapproved.</p> <p>This note CANNOT be used if the justification for the waiver is “Loss of Sale” since “Loss of Sale” waivers must be approved prior to LOA (or Amendment when items are being added) signature/ acceptance.</p>	<p>“Nonrecurring Costs (NC) apply to line item(s) [insert numbers] of this FMS case and are included within the cost of the line item. The purchaser’s request for waiver of NC costs against line item [insert number] is under review and was forwarded to DSCA on [insert date]. If this waiver is approved, an LOA Amendment or Modification will be prepared to delete these costs from this case.”</p>
Nonrecurring Costs – Cooperative Agreements	<p>Mandatory for LOAs when an NC charge is collected as part of a cooperative project or consortium of which USG is a member.</p> <p>Mandatory for Amendments and Modifications when:  (1) line items are added and the consortium NC charge applies to the new lines; or  (2) quantities are increased on line items where a consortium NC charge applies.</p>	<p>Varies - wording must be determined on a case-by-case basis. Contact DSCA (Regional Directorate and Policy, Plans, and Programs Directorate) for assistance in drafting a unique note.</p>

Note Name	Note Usage	Note Text
Nonrecurring Costs – Non-USG Charges	<p>Mandatory for LOAs when an NC charge (known as a “Special NC”) is being collected on behalf of another country.</p> <p>Mandatory for Amendments and Modifications when:  (1) line items are added and the special NC charge applies to the new lines; or  (2) quantities are increased on line items where a special NC charge applies.</p>	<p>“Special Nonrecurring Costs (NC) apply to line item(s) insert numbers] of this FMS case and are included within the cost of the line item. These costs are being collected on behalf of another country and cannot be waived by the USG.”</p>

@@ (Revised by E-Change 44, 17 Mar 2003)

12. @@ ***Unauthorized Use of Defense Articles.*** All LOAs will contain the following note:

Defense articles furnished under this LOA may be used only for those authorized purposes set forth in section 2.2 of the Standard Terms and Conditions, unless the written consent of the U.S. government has been obtained for a different use. The U.S. government retains the right to verify reports that such defense articles have been used for purposes not authorized or for uses not consented to by the U.S. government. @@ (Added by E-Change 11, 14 March 2000).

13. @@ ***GPS/PPS Note.***

- a. Format for LOA (or amendment) note for Country Groups A, B and C:

***Note: Hardware Security. IAW Department of Defense Global Positioning System (GPS) Security Policy dated March 29, 1999 the government of [name of country] is a member of GPS Country Group [enter A, B, C] and is thereby authorized to purchase the GPS PPS equipment identified in this LOA.***

- b. Format for LOA (or amendment) note for Country Group D:

***Note: Hardware Security. IAW Department of Defense Global Positioning System (GPS) Security Policy dated March 29, 1999 the government of [name of customer] is a member of GPS Country Group D and the following security provisions apply:***

#### **Special LOA Terms and Conditions for GPS PPS Host Application Equipment (HAE)**

1. ***Definition:*** GPS PPS HAE are all applications of electronic products which implement or contain any of the GPS PPS security functions, i.e., selective availability (SA), anti-spoofing (A-S), and associated cryptography. GPS PPS HAE receive and process the PPS signals transmitted from the GPS satellites. GPS PPS HAE are categorized as standalone, embedded, and integrated. Standalone HAE are self-contained GPS receivers which are capable of being operated independently of other systems. Embedded HAE are GPS receiver modules or circuit card assemblies which are intended to be integrated into other systems. Integrated

HAE are enclosed multi-functional or multi-sensor systems which contain embedded GPS receivers.

2. Purchaser is authorized to purchase GPS HAE that have a security design approved by the GPS Joint Program Office as “*Unclassified/Controlled*” when keyed.

3. Purchaser shall not use or permit the use of any GPS PPS HAE or related technical data, computer software, or components thereof, in any complete rocket system (including ballistic missiles, space launch vehicles, and sounding rockets) and unmanned air vehicle system (including cruise missile systems, target drones and reconnaissance drones) capable of delivering a payload larger than 500kg beyond a range of 300 km without the prior written consent of the United States Government.

4. The Purchaser is not authorized to perform maintenance on GPS PPS security devices (the PPS Security Module (PPS-SM), Auxiliary Output Chip (AOC), combined PPS-SA/AOC device, Selective Availability Anti-Spoofing Module (SAASM), or SAASM Code Block (SCB)), equipment subassemblies containing GPS PPS security devices, or related GPS PPS software. If a malfunction of a GPS PPS HAE is isolated to a subassembly containing a GPS PPS security device, the faulty subassembly shall be removed, replaced, and returned to the US Government for repair. If any GPS PPS security device or any subassembly containing a GPS PPS Security device is no longer needed or wanted, it shall be returned to the US Government for destruction.

5. The Purchaser shall provide for the protection of GPS PPS security devices from unauthorized access, theft, tampering, or loss.

6. The Purchaser is responsible for accountability by quantity for GPS PPS HAE purchased pursuant to this LOA. The Purchaser shall account for the GPS PPS HAE by performing equipment inventories at least annually and whenever there is a change in personnel responsible for GPS PPS HAE. Any incident involving unauthorized access to, or tampering with, theft, or loss of, GPS PPS HAE shall be reported to the US GPS Joint Program Office.

7. If the Purchaser decides to discontinue use of GPS PPS equipment, this LOA shall terminate with respect to GPS PPS equipment and all GPS PPS equipment and all GPS PPS security devices shall be returned to the US Government.

8. This LOA does not include provision for the transfer of GPS/PPS cryptographic hardware and software technology, design, or manufacturing information. @@ (Added by E-Change 13, 22 May 2000)

14. @@ ***Anti-Tamper (AT) Measures.*** The following note should be included in all LOAs for materiel (not applicable to services LOAs).

“The United States Government (USG) may incorporate Anti-Tamper (AT) protection into weapon systems and components. The AT protection will not impact operations, maintenance, or logistics provided that all terms delineated in the system technical documentation are followed.” @@  
(Added by E-Change 18, 4 October 2000)



15. **@@ Missile Technology Control.** The following note should be included in all LOAs:

“Missile Technology Control. Paragraph 2.3 of the Standard Terms and Conditions of this LOA discusses use and transfer restrictions on articles and services provided under this LOA and emphasizes that the Purchaser “shall not use or permit their use for purposes other than those authorized, unless the written consent of the USG has first been obtained.” The customer agrees not to divert articles and services received under this LOA for purposes or uses other than those for which furnished to include, but not limited to, use as MTCR equipment or technology as discussed in section 74 of the AECA (22 USC 2797c). The USG also reserves the right to take action under section 73(a)(2) of the AECA (22 USC 2797b(a)(2)) in the case of any export or transfer of any MTCR equipment or technology that contributes to the acquisition, design, development or production of missiles in a country that is not an MTCR adherent.” @@ (Added by E-Change 24, 4 May 2001) @@(Legal cite amended by E-Change 30, 1 Mar 02)@@

M. **Acceptance Process.** The Purchaser should sign the LOA and complete the Typed Name, Title, Agency, and Information to be Provided by the Purchaser portions. Copies should be forwarded to the IA and to DFAS-DE/I along with the required initial deposit before the expiration date.

1. Normally, the greater the period of time between Offer and Acceptance, the greater the likelihood of decreased accuracy of data. Requests for extension of the expiration date by the Purchaser will be honored only after a review by the IA. The Purchaser should be authorized to make any pen and ink change to the expiration date via message, with a copy to DFAS-DE/I. All concerned should be advised of the consequences of extension.
2. Pen and ink changes should be kept to a minimum, with processing as follows:
  - a. Minor changes, made prior to implementation of a Modification or Purchaser signature of an LOA or Amendment, may be approved by the IA. This may include insignificant technical corrections such as a small arithmetic change which does not increase total value and administrative changes such as an address correction, initial deposit or payment schedule adjustment, or extension of the offer expiration date.
  - b. More significant changes, such as an increase in program scope (including a revision of the terms of sale or total costs), Modification changes other than those in paragraph a. above, and any change to an LOA or Amendment which has been signed by the Purchaser, require DSCA (through Compt-FM) concurrence. Changes initiated after a Modification has been implemented will normally be completed in another Modification versus a pen and ink change. Changes initiated after LOA or Amendment Purchaser signature will normally be accomplished through a corrective Amendment implemented subsequent to the basic LOA or Amendment.
  - c. In conjunction with these changes, the IA must (1) formally confirm all authorized pen and ink changes, prior to the expiration date, to the Purchaser with a copy to document

distribution addresses; (2) submit appropriate S3 transactions (Section 1500) for expiration date changes; (3) following acknowledgment of receipt of Modification or Purchaser signature of the LOA or Amendment, furnish those documents, altered by authorized pen and ink changes, to their distribution addresses; and (4) furnish revised TLWs (Para 140008) if applicable.

When an LOA or Amendment is signed by the Purchaser and returned to the IA with unauthorized pen and ink changes, it will normally be processed as a counter-offer. Re-statement and re-offer, or cancellation and a new LOA or Amendment, will be the routine courses of action.

3. When accepted, distribution will be made in accordance with instructions in the LOA.

4. Each SAO will immediately advise DSCA COMPT and the IA by priority message when the LOA has been accepted or rejected. When LOAs are accepted for a foreign country or international organization not served by an SAO, or where LOAs are often routinely signed without direct SAO involvement, the LOA will have an annotation requiring the signature authority to immediately notify DFAS-DE/I and the IA by message showing the acceptance date. If notice of acceptance is not received within ten calendar days after the expiration date, the LOA, even though accepted, may be cancelled.

#### **N. Central FMS Transaction Processing Activities.**

##### **Army**

###### **Action Address --**

Department of the Army  
US Army Security Assistance Command  
5001 Eisenhower Avenue  
Alexandria VA 22333-0001  
Messages -- CDR USASAC Alexandria VA//AMSAC//

###### **Information Address --**

Department of the Army  
Deputy Undersecretary of the Army (IA)  
Washington DC 20310-0512  
Messages -- DA WASHINGTON DC//SAUS-IA//

##### **Navy**

Department of the Navy  
Navy International Programs Office  
Crystal Gateway North, Suite 701E,  
1111 Jefferson Davis Highway  
Arlington VA 22202-1111

Messages -- NAVY IPO WASHINGTON DC

##### **Air Force**

**Communications, Electronics, Aircraft, and Missile Systems --**  
Headquarters, US Air Force (SAF/IAX)  
Washington DC 20330-1000

Follow-On Support --  
Air Force Materiel Command  
Air Force Security Assistance Center  
Wright-Patterson AFB OH 45433-5000

Training --  
Air Force Security Assistance Training Group  
Randolph AFB TX 48150-5001

**DLA**

Excess Property --  
Defense Reutilization and Marketing Service  
74 N. Washington Street  
Federal Center  
Attn: DRMS-DPDS  
Battle Creek MI 49016-3412  
Messages – Fort Belvoir Va//MMCI

Contract Administration Service (CAS) --  
Defense Contract Management Area New York  
International Logistics Office  
201 Varick Street  
New York NY 10014-4811  
Messages -- DCMAO NEW YORK NY//INTL LOG OFC//

Cataloging Services --  
Defense Logistics Service Center  
74 N. Washington Street  
Federal Center  
Attn: DLSC-FD  
Battle Creek MI 49016-3412  
Messages -- DLSC BATTLE CREEK MI//DLSC/FD//

Cataloging Training --  
Defense Logistics Agency  
Attn: DLA-MMCI  
8725 Kingman Road, Suite 2533  
Fort Belvoir VA 22060-0221

NIMA      National Imaging and Mapping Agency  
6001 Mac Arthur Blvd  
Bethesda MD 20816-5001

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**Table 701-1 -- LOA Information (Source Code, Months, Type of Assistance (TA) or Training Notes, Offer Release Code, and Delivery Term Code)**

**United States of America**  
**Letter of Offer and Acceptance (LOA)**

**[AT-P-BLZ]**

**Based on [AUSTDEF ltr 2/265 of 10 Apr 92]**

Pursuant to the Arms Export Control Act, the Government of the United States (USG) offers to sell to **[the Government of Australia, Office of the Naval Attache, 1601 Massachusetts Ave., NW, Washington, DC 20036]** the defense articles or defense services (which may include defense design and construction services) collectively referred to as "items," set forth herein, subject to the provisions, terms, and conditions in this LOA.

This LOA is for **[Standard Missile Block VI, support items, and services.]**

Estimated Cost: **[\$19,510,825]**

Initial Deposit: **[\$19,360,450]**

Terms of Sale: **[Cash prior to delivery/dependable undertaking.]**

**Congressional notification 92-17]**

This offer expires on **[22 July 1992]**. Unless a request for extension is made by the Purchaser and granted by the USG, the offer will terminate on the expiration date.

This page through page **[4]**, plus Letter of Offer and Acceptance Standard Terms and Conditions attached, are a part of this LOA.

The undersigned are authorized representatives of their Governments and hereby offer and accept, respectively, this LOA:

<hr/> <b>US Signature</b>	<hr/> <b>[30 May 92]</b> <b>Date</b>	<hr/> <b>Purchaser Signature</b>	<hr/> <b>Date</b>
<b>[A. R. DiTrapani Director]</b>			
<hr/> <b>Typed Name and Title</b>		<hr/> <b>Typed Name and Title</b>	
<hr/> <b>[Navy International Programs Office]</b> <b>Implementing Agency</b>		<hr/> <b>Agency</b>	
<hr/> <b>DSCA</b>	<hr/> <b>Date</b>		

Information to be provided by the Purchaser:

Mark For Code \_\_\_\_\_, Freight Forwarder Code \_\_\_\_\_, Purchaser Procuring Agency Code \_\_\_\_\_, Name and Address of the Purchaser's Paying Office

*Table 701-1. -- Page 1 of [13] pages*

Explanations for acronyms and codes, and financial information, may be found in attached "Letter of Offer and Acceptance Information."

Items to be Supplied (costs and months for delivery are estimates):

(1) Itm Nbr	(2) Description/Condition	(3) Qty, Unit of Issue	(4) SC/MOS/Costs		(5) Ofr TA or Notes	(6) Del Rel Cde	(7) Trm Cde
			(a) Unit	(b) Total			
1.	B2D 141000STDMSYS(Y) Standard Missile Block VI (Note 1)	40 EA	\$448,732	\$17,949,280	S(4) TA 3	Z	8
2.	B2D 141000STDCONT(N) Containers (Note 2)			347,631	X(4) TA 4	A	4
3.	M1B 020200M1SSLTA(N) Technical Services (Note 3)			150,375	X(24) TA 4	A	4]
(8)	Net Estimated Cost			\$[ 18,447,286			
(9)	Packing, Crating, and Handling			231,800			
(10)	Administrative Charge			553,419			
(11)	Transportation			278,320			
(12)	Other [specify when applicable]						
(13)	Total Estimated Cost			19,510,825]			

To assist in fiscal planning: the USG provides the following anticipated costs of this LOA:

#### Estimated Payment Schedule

<u>Payment Date</u>	<u>Quarterly</u>	<u>Cumulative</u>
[Initial Deposit	\$19,360,450	\$19,360,450
15 Dec 92	21,483	19,381,933
15 Mar 93	21,482	19,403,415
15 Jun 93	21,482	19,424,897
15 Sep 93	21,482	19,446,379
15 Dec 93	21,482	19,467,861
15 Mar 94	21,482	19,489,343
15 Jun 94	21,482	19,510,825]

Signed Copy Distribution:

1. Upon acceptance, the Purchaser should return one signed copy of this LOA to Defense Finance and Accounting Service (DFAS), ATTN: DFAS-DE/I, Denver, CO 80279-5000. **[Simultaneously, wire transfer of the Initial Deposit should be made to: United States Treasury, New York, NY, 021030004, DFAS-DE/I, Agency Code 00003801, showing "Payment from Australia for AT-P-BLZ"; or, a check for the initial deposit should accompany the signed copy of the LOA or be sent simultaneously to DFAS, with a letter identifying the purchasing country and the LOA identifier.]**

2. One signed copy plus a copy of the letter of transmittal forwarding payment to DFAS, or other evidence of payment, should be returned to **[Department of the Navy, Navy International Programs Office, Washington, DC 20350-5000]**.

Questions may be directed to Mr. Baillie, Navy IPO 049, DSN 222-0704, CML (703) 692-0704.

*Letter of Offer and Acceptance Standard Terms and Conditions, attached following page [4], are a part of this LOA.* The following terms and conditions also apply:

**[Note 1. The configuration of the Standard Missile will be specified in NAVSEA Drawing Number 5246986-13. The missile and its components are classified. All missiles will be issued from stock in Condition Code A and configured with the MK 45 MOD 6 target detecting device. A listing of the exact configuration with ORDALTS and the remaining service life of each component, if applicable, will be provided prior to delivery. The dual thrust rocket motors have a remaining service life of ten years. USN assets will be replaced in kind from procurement. The estimated cost is based on the contract cost, including management of the replacement procurement. The expected delivery date is 30 November 1992.**

**Note 2. Containers are being provided for shipment and storage of item 1 defense articles based on documented requests from the Purchaser.**

**Note 3. This includes initial estimated USN or contractor engineering support related to the LOA such as performing technical reviews, analyzing firing data, and answering general technical queries. Specifics will be defined in program management meetings.**

**Note 4. The Offer expiration date allows less than the normal time for review in order to meet the contract award date for the replacement procurement.**

**Note 5. The Purchaser will be charged for the use of USG sponsored (Government Bill of Lading) transportation services for items which are classified Confidential or are explosive. This is effective for Offer/Release Code Z and Delivery Term Code 8 items. Items other than classified or hazardous will be shipped Collect Commercial Bill of Lading to applicable freight forwarders.**

**Note 6. The projected LOA closure date is March 2000.**

**Note 7. This LOA will be implemented under the Standard Accounting and Reporting System (STARS).**

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**Note 8. The Purchaser may cancel this LOA upon request to the Implementing Agency; however, an administrative charge that equals one-half of the applicable administrative charge rate times the ordered LOA value, which is earned on acceptance, or the applicable administrative charge rate times the actual LOA value at closure, whichever is higher, may be assessed if cancelled after implementation.**

**Note 9. The USG is a self-insurer, and in this connection your attention is invited to Standard Terms and Conditions Section 5.3. The US Department of Defense shall employ the same inspection procedures for this ammunition as would be used in the procurement of this type of ammunition for itself. Lot production of ammunition, however, carries risks associated with the ammunition's performance. This risk is assumed by the USG in procurement for its own use, and this risk is also assumed by the Purchaser in procurement for its use under this LOA. Accordingly, financial restitution will not be made for claims made on SF 364, Report of Discrepancy (ROD) (see Standard Terms and Conditions Section 5.4) for ammunition deficiencies unless such claims involve damage due to USG actions with respect to packing, crating, handling, or transportation, or unless the USG can obtain equal restitution from its contractor.]**

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## **Letter of Offer and Acceptance Standard Terms and Conditions**

### **Section**

- 1 Conditions – United States Government (USG) Obligations
- 2 Conditions – General Purchaser Agreements
- 3 Indemnification and Assumption of Risks
- 4 Financial Terms and Conditions
- 5 Transportation and Discrepancy Provisions
- 6 Warranties
- 7 Dispute Resolution

### **1. Conditions – United States Government (USG) Obligations**

**1.1.** Unless otherwise specified, items will be those which are standard to the US Department of Defense (DoD), without regard to make or model.

**1.2.** The USG will furnish the items from its stocks and resources, or will procure them under terms and conditions consistent with DoD regulations and procedures. When procuring for the Purchaser, DoD will, in general, employ the same contract clauses, the same contract administration, and the same quality and audit inspection procedures as would be used in procuring for itself, except as otherwise requested by the Purchaser and as agreed to by DoD and set forth in this LOA. Unless the Purchaser has requested, in writing, that a sole source contractor be designated, and this LOA reflects acceptance of such designation by DoD, the

Purchaser understands that selection of the contractor source to fill requirements is the responsibility of the USG, which will select the contractor on the same basis used to select contractors for USG requirements. Further, the Purchaser agrees that the US DoD is solely responsible for negotiating the terms and conditions of contracts necessary to fulfill the requirements in this LOA.

**1.3.** The USG will use its best efforts to provide the items for the dollar amount and within the availability cited.

**1.4.** Under unusual and compelling circumstances, when the national interest of the US requires, the USG reserves the right to cancel or suspend all or part of this LOA at any time prior to the delivery of defense articles or performance of defense services. The USG shall be responsible for termination costs of its suppliers resulting from cancellation or suspension under this section. Termination by the USG of its contracts with its suppliers, other actions pertaining to such contracts, or cessation of deliveries or performance of defense services is not to be construed as cancellation or suspension of this LOA itself under this section.

**1.5.** US personnel performing defense services under this LOA will not perform duties of a combatant nature, including duties relating to training and advising that may engage US personnel in combat activities outside the US, in connection with the performance of these defense services.

**1.6.** The assignment or employment of US personnel for the performance of this LOA by the USG will not take into account race, religion, national origin, or sex.

**1.7.** Unless otherwise specified, this LOA may be made available for public inspection consistent with the national security of the United States.

## **2. Conditions – General Purchaser Agreements**

**2.1.** The Purchaser may cancel this LOA or delete items at any time prior to delivery of defense articles or performance of defense services. The Purchaser is responsible for all costs resulting from cancellation under this section.

**2.2.** The Purchaser agrees, except as may otherwise be mutually agreed in writing, to use the defense articles sold hereunder only:

**2.2.1.** For purposes specified in any Mutual Defense Assistance Agreement between the USG and the Purchaser;

**2.2.2.** For purposes specified in any bilateral or regional defense treaty to which the USG and the Purchaser are both parties, if section 2.2.1 is inapplicable; or,

**2.2.3.** For internal security, individual self-defense, or civic action, if sections 2.2.1 and 2.2.2 are inapplicable.



**2.3.** The Purchaser will not transfer title to, or possession of, the defense articles, components and associated support material, related training or other defense services (including plans, specifications, or information), or technology furnished under this LOA to anyone who is not an officer, employee, or agent of the Purchaser (excluding transportation agencies), and shall not use or permit their use for purposes other than those authorized, unless the written consent of the USG has first been obtained. The Purchaser will ensure, by all means available to it, respect for proprietary rights in any items and any plans, specifications, or information furnished, whether patented or not. The Purchaser also agrees that the defense articles offered will not be transferred to Cyprus or otherwise used to further the severance or division of Cyprus, and recognizes that the US Congress is required to be notified of any substantial evidence that the defense articles sold in this LOA have been used in a manner which is inconsistent with this provision.

**2.4.** To the extent that items, including plans, designs, specifications, technical data, or information, furnished in connection with this LOA may be classified by the USG for security purposes, the Purchaser certifies that it will maintain a similar classification and employ measures necessary to preserve such security, equivalent to those employed by the USG and commensurate with security agreements between the USG and the Purchaser. If such security agreements do not exist, the Purchaser certifies that classified items will be provided only to those individuals having an adequate security clearance and a specific need to know in order to carry out the LOA program and that it will promptly and fully inform the USG of any compromise, or possible compromise, of US classified material or information furnished pursuant to this LOA. The Purchaser further certifies that if a US classified item is to be furnished to its contractor pursuant to this LOA: (a) items will be exchanged through official government channels, (b) the specified contractor has been granted a facility security clearance by the Purchaser at a level at least equal to the classification level of the US information involved, (c) all contractor personnel requiring access to such items have been cleared to the appropriate level by the Purchaser, and (d) the Purchaser will assume responsibility for administering security measures while in the contractor's possession. If a commercial transportation agent is to be used for shipment, the Purchaser certifies that such agent has been cleared at the appropriate level for handling classified items. These measures will be maintained throughout the period during which the USG may maintain such classification. The USG will use its best efforts to notify the Purchaser if the classification is changed.

### **3. Indemnification and Assumption of Risks**

**3.1.** The Purchaser recognizes that the USG will procure and furnish the items described in this LOA on a non-profit basis for the benefit of the Purchaser. The Purchaser therefore undertakes to indemnify and hold the USG, its agents, officers, and employees harmless from any and all loss or liability (whether in tort or in contract) which might arise in connection with this LOA because of:

**3.1.1.** Injury to or death of personnel of Purchaser or third parties, or

**3.1.2.** Damage to or destruction of (a) property of DoD furnished to Purchaser or suppliers specifically to implement this LOA, (b) property of Purchaser (including the items ordered by

Purchaser pursuant to this LOA, before or after passage of title to Purchaser), or (3) property of third parties, or

**3.1.3.** Infringement or other violations of intellectual property or technical data rights.

**3.2.** Subject to express, special contractual warranties obtained for the Purchaser, the Purchaser agrees to relieve the contractors and subcontractors of the USG from liability for, and will assume the risk of, loss or damage to:

**3.2.1.** Purchaser's property (including items procured pursuant to this LOA, before or after passage of title to Purchaser), and

**3.2.2.** Property of DoD furnished to suppliers to implement this LOA, to the same extent that the USG would assume for its property if it were procuring for itself the items being procured.

#### **4. Financial Terms and Conditions**

**4.1.** The prices of items to be procured will be billed at their total cost to the USG. Unless otherwise specified, the cost of items to be procured, availability determination, payment schedule, and delivery projections quoted are estimates based on the best available data. The USG will use its best efforts to advise the Purchaser or its authorized representatives of:

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**4.1.1.** Identifiable cost increases that might result in an overall increase in the estimated costs in excess of ten percent of the total value of this LOA,

**4.1.2.** Changes in the payment schedule, and

**4.1.3.** Delays which might significantly affect estimated delivery dates. USG failure to advise of the above will not change the Purchaser's obligation under all subsections of section 4.4.

**4.2.** The USG will refund any payments received for this LOA which prove to be in excess of the final total cost of delivery and performance and which are not required to cover arrearages on other LOAs of the Purchaser.

**4.3.** Purchaser failure to make timely payments in the amounts due may result in delays in contract performance by DoD contractors, claims by contractors for increased costs, claims by contractors for termination liability for breach of contract, claims by USG or DoD contractors for storage costs, or termination of contracts by the USG under this or other open Letters of Offer and Acceptance of the Purchaser at the Purchaser's expense.

**4.4.** The Purchaser agrees:

**4.4.1.** To pay to the USG the total cost to the USG of the items even if costs exceed the amounts estimated in this LOA.

**4.4.2.** To make payment(s) by check or wire transfer payable in US dollars to the Treasurer of the United States.

**4.4.3.** If Terms of Sale specify “Cash with acceptance”, to forward with this LOA a check or wire transfer in the full amount shown as the estimated Total cost, and agrees to make additional payment(s) upon notification of cost increase(s) and request(s) for funds to cover such increase(s).

**4.4.4.** If Terms of Sale specify payment to be “Cash prior to delivery”, to pay to the USG such amounts at such times as may be specified by the USG (including initial deposit) in order to meet payment requirements for items to be furnished from the resources of DoD. USG requests for funds may be based on estimated costs to cover forecasted deliveries of items. Payments are required 90 days in advance of the time DoD plans such deliveries or incurs such expenses on behalf of the Purchaser.

**4.4.5.** If Terms of Sale specify payment by “Dependable undertaking”, to pay to the USG such amounts at such times as may be specified by the USG (including initial deposit) in order to meet payments required by contracts under which items are being procured, and any damages and costs that may accrue from termination of contracts by the USG because of Purchaser’s cancellation of this LOA. USG requests for funds may be based upon estimated requirements for advance and progress payments to suppliers, estimated termination liability, delivery forecasts, or evidence of constructive delivery, as the case may be. Payments are required 90 days in advance of the time USG makes payments on behalf of the Purchaser.

**4.4.6.** If Terms of Sale specify “Payment on delivery”, that bills may be dated as of the date(s) of delivery of the items, or upon forecasts of the date(s) thereof.

**4.4.7.** That requests for funds or billings are due and payable in full on presentation or, if a payment date is specified in the request for funds or bill, on the payment date so specified, even if such payment date is not in accord with the estimated payment schedule, if any, contained in this LOA. Without affecting Purchaser’s obligation to make such payment(s) when due, documentation concerning advance and progress payments, estimated termination liability, or evidence of constructive delivery or shipment in support of requests for funds or bills will be made available to the Purchaser by DoD upon request. When appropriate, the Purchaser may request adjustment of any questioned billed items by subsequent submission of discrepancy reports, Standard Form 364.

**4.4.8.** To pay interest on any net amount by which it is in arrears on payments, determined by considering collectively all of the Purchaser’s open LOAs with DoD. Interest will be calculated on a daily basis. The principal amount of the arrearage will be computed as the excess of cumulative financial requirements of the Purchaser over total cumulative payments after quarterly billing payment due dates. The rate of interest paid will be a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding short-term obligations of the USG as of the last day of the month preceding the net arrearage and shall be computed from the date of net arrearage.

**4.4.9.** To designate the Procuring Agency and responsible Paying Office and address thereof to which the USG will submit requests for funds and bills under this LOA.

*Table 701-1 -- Page 7 of [13] Pages*

## **5. Transportation and Discrepancy Provisions**

**5.1.** The USG agrees to deliver and pass title to the Purchaser at the initial point of shipment unless otherwise specified in this LOA. With respect to items procured for sale to the Purchaser, this will normally be at the manufacturer's loading facility; with respect to items furnished from USG stocks, this will normally be at the US. depot. Articles will be packed, crated, or otherwise prepared for shipment prior to the time title passes. If "Point of Delivery" is specified other than the initial point of shipment, the supplying US Department or Agency will arrange movement of the articles to the authorized delivery point as a reimbursable service but will pass title at the initial point of shipment. The USG disclaims any liability for damage or loss to the items incurred after passage of title irrespective of whether transportation is by common carrier or by the US Defense Transportation System.

**5.2.** The Purchaser agrees to furnish shipping instructions which include Mark For and Freight Forwarder Codes based on the Offer/Release Code.

**5.3.** The Purchaser is responsible for obtaining insurance coverage and customs clearances. Except for articles exported by the USG, the Purchaser is responsible for ensuring that export licenses are obtained prior to export of US defense articles. The USG incurs no liability if export licenses are not granted or they are withdrawn before items are exported.

**5.4.** The Purchaser agrees to accept DD Forms 645 or other delivery documents as evidence that title has passed and items have been delivered. Title to defense articles transported by parcel post passes to the Purchaser at the time of parcel post shipment. Standard Form 364 will be used in submitting claims to the USG for overage, shortage, damage, duplicate billing, item deficiency, improper identification, improper documentation, or non-shipment of defense articles and non-performance of defense services and will be submitted promptly by the Purchaser. DoD will not accept claims related to items of \$200. or less for overages, shortages, damages, non-shipment, or non-performance. Any claim, including a claim for shortage (but excluding a claim for nonshipment/nonreceipt of an entire lot), received after one year from passage of title to the article or from scheduled performance of the service will be disallowed by the USG unless the USG determines that unusual and compelling circumstances involving latent defects justify consideration of the claim. Claims, received after one year from date of passage of title or initial billing, whichever is later, for nonshipment/nonreceipt of an entire lot will be disallowed by the USG. The Purchaser agrees to return discrepant articles to USG custody within 180 days from the date of USG approval of such return.

## **6. Warranties**

**6.1.** The USG does not warrant or guarantee any of the items sold pursuant to this LOA except as provided in section 6.1.1. DoD contracts include warranty clauses only on an exception basis. If requested by the Purchaser, the USG will, with respect to items being procured, and upon timely notice, attempt to obtain contract provisions to provide the requested warranties. The

USG further agrees to exercise, upon the Purchaser's request, rights (including those arising under any warranties) the USG may have under contracts connected with the procurement of these items. Additional costs resulting from obtaining special contract provisions or warranties, or the exercise of rights under such provisions or warranties, will be charged to the Purchaser.

**6.1.1.** The USG warrants the title of items sold to the Purchaser hereunder but makes no warranties other than those set forth herein. In particular the USG disclaims liability resulting from infringement or other violation of intellectual property or technical data rights occasioned by the use or manufacture outside the US by or for the Purchaser of items supplied hereunder.

**6.1.2.** The USG agrees to exercise warranties on behalf of the Purchaser to assure, to the extent provided by the warranty, replacement or correction of such items found to be defective, when such materiel is procured for the Purchaser.

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**6.2.** Unless the condition of defense articles is identified to be other than serviceable (for example, "As is"), DoD will repair or replace at no extra cost defense articles supplied from DoD stocks which are damaged or found to be defective in respect to material or workmanship when it is established that these deficiencies existed prior to passage of title, or found to be defective in design to such a degree that the items cannot be used for the purpose for which they were designed. Qualified representatives of the USG and of the Purchaser will agree on the liability hereunder and the corrective steps to be taken.

## **7. Dispute Resolution**

**7.1.** This LOA is subject to US Federal procurement law.

**7.2.** The USG and the Purchaser agree to resolve any disagreement regarding this LOA by consultations between the USG and the Purchaser and not to refer any such disagreement to any international tribunal or third party for settlement.

*Table 701-1 -- Page 9 of [13] Pages*

## **Letter of Offer and Acceptance Information**

1. **General.** This provides basic information pertaining to the LOA for US and Purchaser use. Additional information may be obtained from the *Security Assistance Management Manual*, DoD 5105.38-M, the in-country Security Assistance Office, the DSCA Country Director, or from the implementing agency.

### **2. Information Entered by the USG.**

a. ***Terms of Sale***, and Purchaser responsibilities under those Terms, are described on the LOA. A list of all Terms of Sale, with explanations for each, are shown in DoD 5105.38-M.

b. ***Description/Condition.*** The item description consists of coding for use in US management of the LOA (starting with Generic/MASL and MDE "(Y)" or non-MDE "(N)")

data such as that in DoD 5105.38-M, Appendix D) plus a short description of what is to be provided. When items are serviceable, Code “A” (new, repaired, or reconditioned material which meets US Armed Forces standards of serviceability) may be used; otherwise, Code “B” (unserviceable or mixed condition without repair, restoration, or rehabilitation which may be required) may be used. In some instances, reference to a note in the Terms and Conditions may complement or replace these codes.

c. The **Unit of Issue** is normally “EA” (each, or one; for example, 40 EA) or blank (unit of issue not applicable; for example, services or several less significant items consolidated under one LOA Item Number). When blank, a quantity or Unit Cost is not shown.

d. The **Source Code** (SC) in the Articles or Services to be Supplied Section is one or more of the following:

- S -- Shipment from DoD stocks or performance by DoD personnel
- P -- From new procurement
- R -- From rebuild, repair, or modification by the USG
- X -- Mixed source, such as stock and procurement, or undetermined
- E -- Excess items, as-is
- F -- Special Defense Acquisition Fund (SDAF) items

e. Availability leadtime cited is the number of months (MOS) estimated for complete delivery of defense articles or performance of defense services. The leadtime starts with Acceptance of this Offer, including the conclusion of appropriate financial arrangements, and ends when items are made available to transportation.

f. **Type of Assistance** (TA) Codes are as follows:

- 3 Source Code S, R, or E; based on Arms Export Control Act (AECA) Section 21(b).
- 4 Source Code X; AECA Sections 21(b), 22(a), 29, or source undetermined.
- 5 Source Code P; AECA Section 22(a).
- 6 Source Code S, R, or E, payment on delivery; AECA Section 21(d).
- 7 Source Code P, dependable undertaking with 120 days payment after delivery; AECA Section 22(b).
- 8 Source Code S, R, or E, stock sales with 120 days payment after delivery; AECA Section 21(d).
- M MAP Merger; Foreign Assistance Act (FAA) Section 503(a)(3).
- N FMS Credit (Nonrepayable); AECA Sections 23 or 24.
- U Source Code P; Cooperative Logistics Supply Support Arrangement (CLSSA) Foreign Military Sales Order (FMSO) I.
- V Source Code S; CLSSA FMSO II stocks acquired under FMSO I.
- Z FMS Credit; AECA Sections 23 or 24.

g. **Training notes:** AP -- Annual training program; SP -- Special training designed to support purchases of US equipment; NC -- This offer does not constitute a commitment to provide US training; SC -- US training concurrently being addressed in separate LOA; NR -- No US training is required in support of this purchase.

h. **Offer Release Codes** (Ofr Rel Cde) and Delivery Term Codes (Del Trm Cde) below may also be found in DoD 4500.32-R, MILSTAMP, Appendix M, Figure M-1. The following Offer Release Codes also pertain to release of items for shipment back to Purchaser on repair LOAs:

- A Freight and parcel post shipments will be released automatically by the shipping activity without advance notice of availability.
- Y Advance notice is required before release of shipment, but shipment can be released automatically if release instructions are not received by shipping activity within 15 calendar days. Parcel post shipments will be automatically released.
- Z Advance notice is required, before release of shipment. Shipping activity will follow-up on the notice of availability until release instructions are furnished. Parcel post shipments will be automatically released.
- X The Implementing Agency (IA) and country representative have agreed that the:

-- IA will sponsor the shipment to a country address. Under this agreement, the Freight Forwarder Code must also contain X and a Customer-within-Country (CC) Code must be entered in the Mark For Code on the front page of the LOA. The MAPAD must contain the CC Code and addresses for each type of shipment (parcel post or freight).

-- Shipments are to be made to an assembly point or staging area as indicated by clear instructions on exception requisitions. Under this agreement, the Freight Forwarder Code must contain W. A Mark For Code may be entered in the Mark For Code space on the front page of the LOA and the MAPAD must contain the Mark For Code if the Mark For Address is to be used on the shipment to the assembly point or staging area.

i. For the following Delivery Term Codes, DoD delivers:

- 2 To a CONUS inland point (or overseas inland point when the origin and destination are both in the same geographic area)
- 3 At the CONUS POE alongside the vessel or aircraft
- 4 Not applicable (Purchaser has full responsibility at the point of origin. Often forwarded collect to country freight forwarder.)
- 5 At the CONUS POE on the inland carrier's equipment
- 6 At the overseas POD on board the vessel or aircraft
- 7 At the overseas inland destination on board the inland carrier's equipment
- 8 At the CONUS POE on board the vessel or aircraft

9 At the overseas POD alongside the vessel or aircraft

**Delivery Term Codes** showing DoD transportation responsibility for repair LOAs are shown below. The LOA will provide a CONUS address for each item identified for repair. The customer must assure this address is shown on all containers and documentation when materiel is returned.

- A From overseas POE through CONUS destination to overseas POD on board the vessel or aircraft
- B From overseas POE through CONUS destination to CONUS POE on board the vessel or aircraft
- C From CONUS POD on board the vessel or aircraft through CONUS destination to CONUS POE on board the vessel or aircraft
- D From CONUS POD on board the vessel or aircraft through the CONUS destination to overseas POD on board the vessel or aircraft
- E Not applicable (Purchaser has complete responsibility.)
- F From overseas inland point through CONUS destination to overseas inland destination

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- G From overseas POE through CONUS destination to overseas POD alongside vessel or aircraft
- H (For classified items) From CONUS inland point to CONUS POE alongside vessel or aircraft
- J (For classified cryptographic items) From CONUS inland point to overseas inland destination

3. **Information to be Entered by the Purchaser.** **Mark For and Freight Forwarder Codes** are maintained in the Military Assistance Program Address Directory (MAPAD), DoD 4000.25-8. The **Purchaser Procuring Agency** should show the code for the Purchaser's Army, Navy, Air Force, or other agency which is purchasing the item(s). The **Name and Address of the Purchaser's Paying Office** is also required.

a. **Mark For Code.** This Code should be entered for use in identifying the address of the organization in the Purchaser country which is to receive the items. This includes return of items repaired under an LOA.

(1) This address will be added by the US DoD to the Ship To address on all freight containers. It will also appear on items forwarded by small parcel delivery service, including parcel post. The address should include the port of discharge name and designator (water or air); country name, country service name, street, city, state or province, and (if applicable) in-country zip or similar address code.



(2) Shippers are not authorized to apply shipment markings. If codes and addresses are not published, containers will be received at the freight forwarder or US military representative in-country unmarked for onward shipment with resultant losses, delays, and added costs. The USG will sponsor shipment of this materiel to FOB US point of origin.

b. ***Freight Forwarder Code.*** When Offer Release Code X applies, Code X or W, discussed under Offer Release Code X above, must be entered.

4. **Financial.**

a. The method of financing is shown in the LOA, Amendment, or Modification. The initial deposit required with Purchaser signature of the LOA is an integral part of the acceptance.

b. LOA payment schedules are estimates, for planning purposes. DFAS will request payment in accordance with the payment schedule unless DoD costs, including 90-day forecasted requirements, exceed amounts required by the payment schedule. When this occurs, the US will use its best efforts to provide a new schedule via LOA Modification at least 45 days prior to the next payment due date. The Purchaser is required to make payments in accordance with quarterly DD Forms 645 issued by DFAS regardless of the existing payment schedule.

c. The DD Form 645 serves as the bill and statement of account. An FMS Delivery Listing, identifying items physically or constructively delivered and services performed during the billing period, will be attached to the DD Form 645. DFAS forwards these forms to the Purchaser within 45 days before payments are due and Purchasers must forward payments in US dollars to the USG in time to meet prescribed due dates. Costs in excess of amounts funded by FMF agreements must be paid by the Purchaser. Questions concerning the content of DD Forms 645 and requests for billing adjustments should be submitted to the Defense Finance and Accounting Service Deputate for Security Assistance (DFAS-I), 6760 E. Irvington Place, Denver CO 80279-2000.

d. The preferred method for forwarding cash payments is by bank wire transfer to the Department of the Treasury account at the Federal Reserve Bank of New York using the standard federal reserve funds transfer format. Wire transfers will be accepted by the Federal Reserve System (FRS) only from banks that are members of the FRS, therefore, non-US banks must go through a US correspondent FRS member bank. The following information is applicable to cash payments:

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Wire transfer --

United States Treasury  
New York, New York  
021-030-004  
DFAS/SAAC  
Agency Code 3801  
Payment from (country or international organization) for

Letter of Offer and Acceptance (Identifier at the top of the first page of the LOA)

Check mailing address --

Defense Finance and Accounting Service (DFAS)  
DE/SAAC/F  
Denver, CO 80279-5000

e. To authorize payments from funds available under FMF loan or grant agreements, the Purchaser may be required to submit a letter of request to the Defense Finance and Accounting Service (DFAS/DE-I), Denver, Colorado 80279-2000. Purchasers should consult applicable FMF agreements for explicit instructions. Questions pertaining to the status of FMF financing and balances should be directed to DSCA-COMPT-FM.

f. Payments not received by DFAS-DE/I by the due date may be subject to interest charges as outlined in paragraph 4.4.8 of the LOA Standard Terms and Conditions.

g. The values on the LOA are estimates. The final amount will be equal to the cost to the USG. When deliveries are made and known costs are billed and collected, DFAS DE/I will provide a "Final Statement of Account" which will summarize final costs. Excess funds will be available to pay unpaid billings on other statements or distributed as agreed upon between the Purchaser and the Comptroller, DSCA.

h. The Purchaser may cancel this LOA upon request to the implementing agency. An administrative charge that equals one-half of the applicable administrative charge rate times the ordered LOA value, which is earned on LOA acceptance, or the applicable administrative charge rate times the actual LOA value at closure, whichever is higher, may be assessed if this LOA is cancelled after implementation.

5. **Changes to the LOA.** Changes may be initiated by the USG or by requests from the Purchaser. After acceptance of the basic LOA, these changes will take the form of Amendments or Modifications.

a. Amendments encompass changes in scope, such as those which affect the type or number of significant items to be provided. Amendments require acceptance by the USG and the Purchaser in the same manner as the original LOA.

b. Modifications include changes which do not constitute a change in scope, such as increases or decreases in estimated costs or delivery schedule changes. Modifications require signature only to acknowledge receipt by the Purchaser.

c. When signed, and unless alternate instructions are provided, copies of Amendments and Modifications should be given the same US distribution as the basic LOA.

d. Requests for changes required prior to acceptance by the Purchaser should be submitted to the implementing agency for consideration. See DoD 5105.38-M, section 70105.M.2.

6. **Correspondence.** Questions or comments regarding this LOA should identify the Purchaser request reference and the identification assigned by the implementing agency within DoD.

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**Table 701-2 -- Sample Termination Liability Worksheet**

LOA Identification: XX – B – UAB Date: 2 Jan 92

(Country, Agency, Case Designator)

Liability/ Payment Holdback Date	(a)	(b)	(c) Estimated Disbursements		(e) Termination	(f) Contractor
	Total Payment					
	Qtr	Cum	Qtr	Cum	Qtr	Cum
Initial	352,000	352,000	352,000	352,000	0	0
Deposit						
15Jun92	864,000	1,216,000	499,200	851,200	364,800	364,800
15Sep92	1,376,000	2,592,000	833,600	1,684,800	542,400	907,200
15Dec92	2,112,000	4,704,000	1,372,800	3,057,600	739,200	1,646,400
15Mar93	3,008,000	7,712,000	1,955,200	5,012,800	1,052,800	2,699,200
15Jun93	4,000,000	11,712,000	2,951,360	7,964,160	1,048,640	3,747,840
15Sep93	4,768,000	16,480,000	4,066,240	12,030,400	701,760	4,449,600
15Dec93	5,024,000	21,504,000	5,602,880	17,633,280	(578,880)	3,870,720
15Mar94	4,512,000	26,016,000	6,561,600	24,194,880	(2,049,600)	1,821,120
15Jun94	3,264,000	29,280,000	4,499,520	28,694,400	(1,235,520)	585,600
15Sep94	1,888,000	31,168,000	2,473,600	31,168,000	(585,600)	0
15Dec94	832,000	32,000,000	832,000	32,000,000	0	0

**Notes:**

**(a) Columns a and b must be identical to payment schedule in LOA financial annex.**

**(b) Column a = c + e.**

**(c) Column b = d + f.**

**(d) At end of worksheet, column b = column d; column f must be zero.**

**(e) In initial deposit, columns e and f are zero unless contract will be let before first scheduled payment.**

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*Table 701-2 -- Sample Termination Liability Worksheet*

**Table 701-3 -- Supplementary Information for Letters of Offer**

<b>Supplemental Information</b>									
	<b>Mode &amp; Distribution of Shipment</b>	<b>Delivery Schedule of Items</b>	<b>Personnel Movement to &amp; From Country</b>	<b>Qualification Regarding Validity off P&amp;A Date</b>	<b>Agreements to Safeguard Status of U.S. Gov or Contractor Personnel While in Country</b>	<b>Statement of Facilities, Services, or Personnel to be Provided by Purchasing Nation</b>	<b>Separate Memorandum of Understanding or Detailed Statement of Work</b>	<b>Schedule of Personnel Training</b>	<b>Logistical Information</b>
Weapons Systems Package Sale	X	X	A/R	X	A/R	A/R	A/R	A/R	A/R
Communication Systems Package Sale	X	X	A/R	X	A/R	A/R	A/R	A/R	A/R
Co-production/ Coassembly	X	A/R	A/R	X	A/R	A/R	A/R	A/R	A/R
End Item	X	X	X						A/R
SSA Stock Level Case					A/R	A/R	A/R		A/R
Requisition cases include SSA Req	X								A/R
Definitized Spare Parts or Supplies (Include Ammunition)	X			X		A/R			A/R
Excesses "As Is, Where Is"	X	X				A/R			A/R
Modifications	X	A/R	A/R	X	A/R	A/R			A/R
Publications, Charts, Film	X								A/R
Training			A/R	X		A/R	A/R		
Maintenance & Overhaul	X	A/R	A/R	X					A/R
Contractual Services CETS	A/R		X	X	X	A/R	A/R	A/R	
Military Services Overseas, e.g., TAFT			X	X	X	A/R	A/R	A/R	
Military Services in CONUS (i.e., Program Mgmt Office)									
Aircraft Flight Delivery	X	X		X	A/R	A/R			A/R
Transportation Services AMC & MSTs	X	X	A/R	X	A/R				
RDT&E Services				X		A/R	A/R		A/R
Technical Data Package	X	A/R	X						A/R
Pro-Rate R&D or Royalty Cases									
Non-Standard Military Equipment	X	A/R	A/R	X	A/R	A/R		A/R	A/R

*X Must be addressed in supplemental terms and conditions*

*A/R Should be addressed if applicable to this LOA*

Table 701-3 -- Supplementary Information for Letters of Offer (Page 2 of 2)

**Table 701-4 -- LOA Preparation Checklist**

Item	Validation		
	Action Officer (Last Name, Phone, Date)	Service (Last Name, Phone, Date)	DSCA (Last Name, Phone, Date)
Mode and destination of shipments			
Delivery Schedule of items			
Personnel movement to and from country			
Qualifications of Pricing and Availability Data			
Agreements to safeguard status of USG or contractor personnel in-country			
Statement of facilities, services, or personnel to be provided by Purchaser			
Separate International Agreement or detailed Statement of Work			
Schedule of Personnel Training			
Logistical Information			
Explanation of condition of equipment*			
Identification of equipment supportable			
Description of Services to be provided			
Description of components of pricing			
Responsibility for initiation of requisitions			
Indemnification and assumption of risk			
Payment schedules			
Financial analysis			

**Remarks:**

*[\*Including notification of special conditions such as environmental hazards, safety of operation information, or other factors requiring special operation, maintenance, or disposal skills or equipment.]*

Table 701-4 -- LOA Preparation Checklist

**Table 701-5 -- Additional Terms and Conditions [Aircraft Movement]**

The following may be consolidated as one note on the LOA, as considered appropriate by the IA.

- A. The USG will provide for movement of aircraft to point of delivery specified in this LOA.
- \*B. In order to carry out the purpose of this LOA, the USG will accept title to the aircraft from the contractor, and title to the aircraft will remain with the USG until arrival at the point of delivery, at which time title passes to the Purchaser.
- \*C. The aircraft will be marked with appropriate USG markings. The Purchaser is

- liable for the cost of placing such markings on the aircraft and is responsible for removing such markings upon passage of title to the Purchaser.
- D. The USG will not be subject to or held liable for any import fees, duties, or other charges levied by the Purchaser.
  - E. Date of delivery to destination will be contingent upon the receipt of necessary overflight and other clearances.
  - F. The Purchaser is liable for all enroute costs including, but not limited to, any maintenance required to insure that the aircraft are in a safe condition, in accordance with current USG regulations, prior to flight.
  - G. It is agreed that there will normally be no USG/Purchaser splits in crews. Any USG/Purchaser split in crew composition must be approved by \_\_\_\_\_ based upon a request submitted by the Purchaser setting forth the reasons for the request, the desired crew composition, and the aircraft qualifications of proposed crew members of the Purchaser. If split crews are used, the aircraft commander must be an officer of the USG who will have command and control over the aircraft. If more than one aircraft is being ferried, the designated flight leader will be an officer of the USG and will have command and control over all aircraft.
- \* When the USG is to ferry Purchaser-owned aircraft, replace B. and C. above with the following:***
- B. In order to carry out the purpose of this LOA, the Purchaser grants the USG possession of the aircraft. The title to the aircraft will remain with the Purchaser.
  - C. The aircraft will be marked with appropriate USG markings. The Purchaser is liable for the cost of placing such markings on the aircraft and is responsible for removing such markings.

Table 701-5 -- Additional Terms and Conditions [Aircraft Movement]

**Table 701-6 -- Additional Terms and Conditions Transportation and Services**

The following may be consolidated as one note on the LOA, as considered appropriate by the IA.

- A. USG agrees to provide, transportation services for the items identified in this LOA to the Point of Delivery. Purchasers property will be transported at the Purchaser's risk.
- B. Purchaser will accept USG delivery listings as the basis for billing and proof of shipment.
- C. Purchaser will accept responsibility for clearance of materiel through its customs at the POD, and for movement of the materiel from its POD to the ultimate in-country destination.
- D. Purchaser will appoint a duly authorized official to accept and sign for materiel at the POD, and submit outturn message and report.
- E. Purchaser will absorb losses of materiel the USG does not in fact recover from an independent carrier or handler, including where the USG is self-insured.
- F. Purchaser will self-insure such shipments, or obtain commercial insurance without

- any right of subrogation of any claim against the United States.
- G. The USG will assist the Purchaser in processing any claims that may arise for lost or damaged shipments, in the same manner it processes claims for USG-owned materiel. Collection of revenue, if any, resulting from approved claims will be credited to the Purchaser's account.
  - H. If the Purchaser proposes to take delivery and custody of the classified material in the US and use its own facilities and transportation for onward shipment to its territory, the Implementing Agency (IA), in coordination with the Purchaser, will develop a transportation plan as outlined in the *Security Assistance Management Manual*, Chapter 5, Section 503, Table 503-4. Further, the Purchaser agrees to notify the IA of any changes as they occur to the transportation plan. The Purchaser will be notified of the approval or disapproval of the changes. If disapproved, the Purchaser will be notified of the reason for disapproval and, when possible, changes that would be acceptable to the USG. As an alternative, the USG will ship the classified materiel by the Defense Transportation Service.

Table 701-6 -- Additional Terms and Conditions Transportation and Services

**Table 701-7 -- Sample Terms and Conditions -- Personnel Related Costs**

The brackets below show provisions which typically would be applicable to USG commercial contractor (including subcontractor) or to military and civilian USG personnel.

- A. Passports, Visas, Licenses, and Permits.
  - 1. [USG, Contractor] Cost and delivery estimates herein anticipate the Government of [country] (GO\_) [e.g., Government of Turkey (GOT)] will, within the framework of the laws of GO\_, ensure the timely issuance of work, entry, or exit visas; work, vehicle operator, residence, or in-country travel permits; and any other appropriate licenses or permits required of the personnel, including dependents, to carry out this effort.
  - 2. [Contractor] The US contractor shall be responsible for timely and complete submittal of the necessary information and forms directly to the appropriate GO\_ agency for the required passports, visas, licenses, or permits. The contractor shall be responsible for the sponsorship of its employees and their dependents and shall process said permits directly with the appropriate GO\_ agency.
- B. Access. [USG, Contractor] Cost and delivery schedules herein anticipate that US personnel in [country] will be authorized, at no cost, reasonable access to all data, plans, reports, or other information and all existing and proposed offices, sites, and areas within [country] as required to accomplish this effort.
- C. Export of Data. [Contractor] US personnel shall not be required or expected to deliver to the Government of [country], nor to any person or entity not a citizen of the United States of America, any technical data produced or utilized under this LOA until the Government of [country] has been furnished with clear evidence that such delivery of the data is (1) approved by the US State Department pursuant to the International Traffic in Arms Regulation, or (2) approval is not required.

- D. Taxes, Duties, and Charges for Doing Business. [Contractor] The contract(s) implementing this LOA will include the clause entitled "Taxes-Foreign Fixed-Price Contracts (Jan 1991)" set forth in Federal Acquisition Section 52.229-6; therefore, price and delivery estimates within this LOA anticipate the following:
1. Property, materiel, equipment, household furniture, appliances, and supplies imported into [country] by contractor exclusively for use in support of the contractor and its personnel and consigned and marked as required or approved by the USG will be exempt from import and export duties, taxes, licenses, excises, imposts, and any other identifiable charges. The contractor will maintain any inventory control and accounting system adequate to reflect the usage and disposition of all contractor-owned property which has entered [country] duty-free under this LOA.
  2. The GO\_, its agencies, and political subdivisions will levy no taxes or fees (including taxes on individual or corporate income or property, customs and import duties, or other taxes on employee personal household goods, supplies and personal effects imported into [country] for personal use) on the contractor, its employees, or the dependents of such employees.
  3. If any charges under D.1 or D.2 are imposed by the GO\_, costs thereby incurred by the contractor will be reimbursed to the contractor at cost, including applicable overhead and General and Administrative, but excluding profit, out of national funds to be provided by the GO\_ under this LOA.
- E. Security. [USG, contractor] Price and delivery estimates anticipate that the Purchaser will provide adequate security to protect personnel and property associated with this LOA and located on Purchaser military bases, installations, or other designated work sites.

Table 701-7 -- Sample Terms and Conditions -- Personnel Related Costs

**Table 701-8 -- Status of Forces Agreements**

As of 15 May 1992, the United States has entered into SOFAs or other agreements pertaining to status of personnel whose duties include work in the listed country

**[Numerical references are to the published Treaties and Other International Act Series (T.I.A.S.) of the Department of State]:**

Antigua and Barbuda (9054)  
Australia (5349)  
Italy (2846)  
Bahamas  
Bahrain (8632)  
Belgium (2846)  
Canada (2846, 3074)  
Denmark (2846, 4002)  
Diego Garcia [with the United Kingdom] (6196, 8230)  
Dominican Republic  
Egypt (10238)



Federated States of Micronesia [in Compact with US]<sup>1</sup> France (2846)  
 Germany (2846, 5351, 5352, 7759)  
 Greece (2846, 3649)  
 Honduras  
 Iceland (2295)  
 Japan (4510)  
 Korea (6127)  
 Luxembourg (2846)  
 Marshall Islands [in Compact with US]<sup>1</sup> again  
 The Netherlands (2846, 3174)  
 New Zealand (4151)  
 Norway (2846, 2950)  
 Panama (10032)  
 Papua New Guinea  
 Philippines (1775, 5851, 9224, 10585)  
 Portugal (2846) [Lajes Agreement is unpublished]  
 Singapore  
 St. Kitts and Nevis  
 St. Vincent and the Grenadines  
 Spain (2846, 10589)  
 Turkey (2846, 3020, 3337, 6582, 9901)  
 United Kingdom (2846, 6196) See also, Visiting Forces Act<sup>2</sup>  
 Western Samoa

***1. For both the Federated States of Micronesia and the Marshall Islands see: Compact of Free Association Act of 1985, Pub.L. No.99-239 (January 14, 1986). The SOFA was concluded pursuant to Section 323 of the Act and has been reprinted in the Compilation of Agreements Between the Government of the United States and the Freely Associated States of the Federated States of Micronesia, The President's Personal Representative for Micronesian Status Negotiations, 1987.***

***2. The 1952 Visiting Forces Act is a unilateral British statute enacted to implement the NATO SOFA within the United Kingdom. Britain has elected this approach, rather than conclude a supplementary agreement to the NATO SOFA with the United States as sending state. Unfortunately, the Visiting Forces Act does not fully agree with the NATO SOFA and this has led to disputes from time to time.***

Table 701-8 -- Status of Forces Agreements

**Section 702 -- Specialized LOA Lines**

**70201 Program Management Lines.**

**A. General.**

1. Program management costs may be included in a program management line of an LOA when an IA must undertake some system or program management effort to successfully

deliver the item ordered by the Purchaser. IAs must ensure that each type of cost is allocated only once and only on one basis to an FMS LOA. Program management services must be a condition of sale; i.e., those services unilaterally determined by the IA to be necessary for successful program implementation. Such costs may be charged only for a single LOA or multiple LOAs directly related to a single purchase.

2. The inclusion of program management lines in selected LOAs must be justified to, and approved by, the Director of SA of the IA, or designee. Given the diversity of FMS programs, some occasions will arise that require deviation from the following guidelines. The foregoing approval authority includes authority for such occasional deviations.

3. Program management lines are excluded from application of the FMS administrative surcharge.

**B. FMS Program Management Guidelines.**

1. The following are the types of sales that may include program management lines:

- a. System sales of aircraft, ships, shipboard equipment, missiles, combat vehicles, radars, or communications electronics which include the major end item and necessary logistical and training support.
- b. Modifications which improve the operational capability of systems already in purchaser inventories.
- c. Non-standard equipment, systems, or services.
- d. Sales which include program acceleration.
- e. Complex LOAs for services that may require effort outside of or in addition to that normally provided by dedicated security assistance offices.
- f. Co-production programs.

2. The following are the types of expenses that may be included in program management lines:

- a. Personnel assigned as program coordinators.
- b. Administrative LOA program management services which demonstrably are executed at a level of effort beyond that generally performed on routine FMS LOAs. (Administrative case management functions are identified in paragraph 70402.A.2 and, when performed at routine levels, are properly charged to FMS administrative funds.) Such over-and-above levels of management effort are normally found in LOAs which include program acceleration, non-standard procurements, special program tracking or reporting, program reviews, or extensive integration.

- c. Configuration management, system integration, or integrated logistics management.
- d. CONUS or overseas program management reviews. (TDY costs of all US participants may be included.)
- e. TDY costs to support program management line functions. Administrative travel expenses, to include salary, which can be identified to the LOA or LOAs supported by a program management line also may be included.
- f. Costs of conferences discussed in section 701 or AECA Sec 26 survey teams discussed in section 401. Costs which occur prior to acceptance of the LOA can be funded from the administrative budget account allotment of the IA. The administrative budget account allotment will be reimbursed from the program management line after it is accepted.

3. Types of LOAs that may not include program management lines:

- a. Sales from stock other than weapon systems.
- b. Follow-on support, including publications, maps, and charts.
- c. Entirely for services other than those described in 1. c and e above.
- d. Individual major item sales.
- e. Modifications other than those which improve the operational capability of systems.
- f. Routine non-MDE sales.

4. The following are the types of expenses that may not be included in program management lines:

- a. Other services requested by the Purchaser (such as management services, including non-routine reporting; technical assistance; TAFTs; overseas CAS units; training; or overhead management services) but not required by the IA.
- b. TDY costs not in direct support of the program management line. See exceptions in 2.e and f above.
- c. Any costs incurred overseas by PCS personnel. These costs are to be charged "above the line" in a separate technical assistance or services line.
- d. Routine administrative charges, which must be charged to the FMS administrative budget.

C. **Procedures.**

1. In order to differentiate between the cost of items sold to which the FMS administrative surcharge legally must be applied and program management services, which are a condition of sale, the following are required for all LOAs, Amendments, or Modifications which include program management lines:

- a. "Subtotal Cost of Ordered Articles and Services" and corresponding value will be entered at the end of items being offered.
- b. The program management line(s) and value(s) are to be entered following the above subtotal cost.
- c. Block (8) will be the total of the entries required in a and b above.

2. The FMS administrative surcharge shall be applied by DFAS-DE to the Subtotal entry of ordered items without exception. If the surcharge has been waived and not included in the LOA, the drafting IA is responsible for funding and paying the surcharge. (See DoD 7000.14-R, Volume 15)

3. Program management lines will be identified as such and include Generic Code R6B. Existing case management lines which use Generic Code L8A may continue in use until case closure.

4. FMS workload prior to LOA implementation is to be charged to the administrative budget. Communications, utilities, ADP, office supplies and equipment, and rental may be charged to a program management line to the extent they directly result from program management efforts.

5. An auditable methodology must be maintained to document work each individual performs on a program management line. Personnel charges must be identifiable by position number, employee identification number, or other traceable means.

6. For LOAs in which program management lines are justified by the non-standard nature of the program, the non-standard administrative fee should not be charged in accordance with the FMR.

#### **70202 -- Contingency Requirements.**

FMF LOAs may not include contingency (R9A Non-Specific Requirements) lines. Contingency lines will not be used as a substitute for BO LOAs. Inclusion of contingency lines in other LOAs is discouraged. The FMS administrative surcharge will be applied to the contingency line value.

A. When requested and justified in writing by the Purchaser, the Director of SA of the IA, or designee, may approve a contingency line limited to:

1. Services or non-SME articles on a major program LOA.
2. A value of ten percent or less of the LOA value.

B. Obligation authority will not be granted for contingency lines, nor will orders be placed for deliveries reported against them.

1. When requirements are identified by the Purchaser, the applicable dollar values included in the contingency line must be moved to specific defense articles or services (non-contingency) lines, with commensurate payment schedule and other LOA adjustments, as needed.
2. Reallocation of contingency line authority for scope increases must be accomplished by LOA Amendment. Modifications may be used for contingency line reallocations due to price increases.

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## **Section 703 -- Congressional Section 36(b) Notifications and Reports of Foreign Military Sales**

### **70301 -- Purpose.**

The purpose of this section is to provide DoD components with the procedures to be followed during the processing of an LOA, when that LOA meets or exceeds the thresholds established for Congressional notification in the AECA and Congressional reporting in AECA, Section 36(b). This section enumerates the requirements of the AECA, Section 36(b), under which Congressional notifications and reports must be submitted; defines the criteria, responsibilities, and procedures established for the submission of these Congressional notifications and reports; and prescribes the data elements, format (to include classification), and procedures for the submission of information to DSCA required for Congressional notifications and reports.

### **70302 -- Statutory Provisions, Executive Requirements, and Exceptions.**

#### **A. Statutory Provisions.**

1. @@Section 36(b)(1) of the AECA requires that, in the case of any LOA to sell any defense articles or services under the Act, the Congress be given 30 days written notification of the intent to sell major defense equipment valued at \$14 million or more, any defense articles or services with a total value of \$50 million or more, or any design and construction services for \$200 million or more. As an exception, notifications for sales to NATO, its members, Australia, Japan, and New Zealand require a 15-day notification of the intent to sell major defense equipment at certain thresholds. Those thresholds for NATO are the same as above. For member countries of NATO, Australia, Japan, and New Zealand (that do not authorize a new sales territory that includes any country other than such countries), the thresholds are major defense equipment valued at \$25 million or more; any defense articles or services with a total value of \$100 million or more; or any design and construction services of \$300 million or more. @@ (E-Change 36, 19 Nov 02) Before such LOA is issued, a numbered certification must be submitted to the Congress indicating (a) the foreign country or international organization to which the defense article or service is to be offered for sale, (b) the dollar amount of the offer to sell and the number of defense articles to be offered, (c) a description of the defense article or service to be offered, and (d) the US Armed Forces or

other agency of the US which is to make the offer to sell or, in the case of a sale of design and construction services, the following must be shown: (a) the purchaser, (b) the US department or agency responsible for implementing the sale, (c) an estimate of the dollar amount of the sale, and (d) a general description of the real property facilities to be constructed pursuant to such sale. In either type of submission, the certification must contain a description of any contribution, gift, commission, or fee paid or offered or agreed to be paid in order to solicit, promote, or otherwise to secure such LOA, including (a) the name of the person who made or will make such payment, contribution, gift, commission, or fee; (b) the name of any sales agent or other person who is to receive or has received such payment, contribution, gift, commission, or fee; (c) the date and amount of such payment, contribution, gift, commission, or fee; (d) a description of the sale in connection with which such payment, contribution, gift, commission, or fee was or will be paid; and (e) the identification of any business information considered confidential by the person submitting it which is included in the report. Such numbered certifications shall also contain an item, classified if necessary, identifying the sensitivity of technology contained in the defense articles, defense services, or design and construction services proposed to be sold, and a detailed justification providing the reasons necessitating the sale of such defense articles or services in view of the sensitivity of such technology. @@Each such numbered certification shall contain an item indicating whether any offset agreement is proposed to be entered into in connection with such Letter of Offer to sell. @@ (Changed 19 Jan 2000) The AECA, Section 36(b), Paragraph (4) requires that each certification cite any quarterly report submitted under Section 28 of the Act which listed a P&A estimate or a request for LOA, which was a basis for the proposed sale. The FAA, Section 620C(d), requires a special certification for notifications of proposed sales to either Greece or Turkey. The International Security and Development Cooperation Act of 1985, Section 130(c), requires a special certification for notifications of proposed sales to Jordan pertaining to US advanced aircraft, new air defense systems, or other new advanced military weapons. These Jordan certifications, prepared by the State Department and signed by the President, will be appended to Section 36(b)(1) notifications to the Congress involving such items.

2. The AECA, Section 36(b)(1) states that the LOA shall not be issued to NATO, any NATO member country, Japan, Australia, or New Zealand, if the Congress, within 15 calendar days after receiving such certification, or to any other country or organization, if the Congress within 30 calendar days after receiving such certification, adopts a joint resolution stating that it objects to the proposed sale, unless the President states in his certification that an emergency exists which requires such sale in the national security interests of the US. If the President states in his certification that an emergency exists he shall set forth in the certification a detailed justification for his determination, including a description of the emergency circumstances which necessitate the immediate issuance of the LOA and a discussion of the national security interests involved.

3. In addition, the President shall, upon the request of the Committee on Foreign Relations of the Senate or the Committee on Foreign Affairs of the House of Representatives, transmit promptly to both such committees a statement setting forth:

- a. A detailed description of the defense articles, defense services, or design and construction services to be offered, including a brief description of the capabilities of any defense article to be offered;
- b. An estimate of the number of officers and employees of the United States Government and of United States civilian contract personnel expected to be needed in such country to carry out the proposed sale;
- c. @@The name of each contractor expected to provide the defense articles, defense services, or design and construction services proposed to be sold and a description from such contractor of any offset agreements proposed to be entered into in connection with such sales; @@ (Changed 19 Jan 2000)
- d. An evaluation, prepared by the Director of the Arms Control and Disarmament Agency in consultation with the Secretary of State and the Secretary of Defense, of the manner, if any, in which the proposed sale would:
  - (1) Contribute to an arms race;
  - (2) Increase the possibility of an outbreak or escalation of conflict;
  - (3) Prejudice the negotiation of any arms controls; or
  - (4) Adversely affect the arms control policy of the United States;
- e. The reasons why the foreign country or international organization to which the sale is proposed to be made needs the defense articles, defense services, or design and construction services which are the subject of such sale and a description of how such country or organization intends to use such defense articles and services, or design and construction services;
- f. An analysis by the President of the impact of the proposed sale on the military stocks and the military preparedness of the United States;
- g. The reasons why the proposed sale is in the national interest of the U.S.;
- h. An analysis by the President of the impact of the proposed sale on the military capabilities of the foreign country or international organization to which such sale would be made;
- i. An analysis by the President of how the proposed sale would affect the relative military strengths of countries in the region to which the defense articles, defense services, or design and construction services which are the subject of such sale would be delivered and whether other countries in the region have comparable kinds and amounts of defense articles, defense services, or design and construction services;
- j. An estimate of the levels of trained personnel and maintenance facilities of the foreign country or international organization to which the sale would be made which are needed and available to utilize effectively the defense articles, defense services, or design and construction services proposed to be sold;

- k. An analysis of the extent to which comparable kinds and amounts of defense articles, defense services, or design and construction services are available from other countries;
- l. An analysis of the impact of the proposed sale on United States relations with the countries in the region to which the defense articles, defense services, or design and construction services which are the subject of such sale would be delivered;
- m. A detailed description of any agreement proposed to be entered into by the United States for the purchase or acquisition by the United States of defense articles, defense services, or design and construction services or defense equipment, or other articles, services, or equipment of the foreign country or international organization in connection with, or as consideration for, such LOA, including an analysis of the impact of such proposed agreement upon United States business concerns which might otherwise have provided such articles, services, or equipment to the United States, an estimate of the costs to be incurred by the United States in connection with such agreement compared with costs which would otherwise have been incurred, an estimate of the economic impact and unemployment which would result from entering into such proposed agreement, and an analysis of whether such costs and such domestic economic impact justify entering into such proposed agreement;
- n. The projected delivery dates of the defense articles, defense services, or design and construction services to be offered;
- o. A detailed description of weapons and levels of munitions that may be required as support for the proposed sale; and
- p. An analysis of the relationship of the proposed sale to projected procurements of the same item.

**B. Executive Requirements.**

1. **Preparation and Submission of Notifications and Reports.** Under Executive Order 11958, the SECDEF is delegated the responsibility of implementing Section 36(b) of the AECA in consultation with the Secretary of State. DSCA is responsible for preparing and submitting Congressional notifications and reports under AECA, Sec 36(b). To minimize delays in processing such notifications, consistent with the legislative and other requirements, the procedures in this section are placed into effect.
2. **Advance Section 36(b)(1) Notification.** In order to provide Congress with sufficient time to review the proposed sale about to be notified under Section 36(b)(1), DSCA has agreed to provide Congress with advance notification of such offer at least 20 days prior to the submission of the statutory notification. Offers to NATO, any NATO member country, Japan, Australia, and New Zealand are exempt from the advance notification agreement.
3. **Sensitivity of Technology.**
  - a. AECA Sec 36(b)(1), as amended by Section 20(b) of the International Security Assistance Act of 1979, and the International Security and Development Cooperation Act



of 1985 require a Sensitivity of Technology Statement concerning the extent to which the items to be included in the proposed sale contain sensitive technology or classified information and a justification for the proposed sale in view of the sensitivity of such technology.

(1) For purposes of this requirement, the term “sensitivity of technology” will be construed to mean the extent to which the unauthorized disclosure or diversion of any equipment, technical data, training, services, or documentation required to be conveyed in connection with the proposed sale could be detrimental to the national security interests of the US. The evaluation will address not only sensitive technological information contained in equipment components or technical documentation related to the sale, whether classified or not, but also restricted information contained in classified components or classified documentation required to be released in connection with the sale.

(2) It should be noted that the evaluation of sensitivity is to be made solely with reference to unauthorized disclosure or diversion of the defense equipment, technical data, training, services, and documentation to be provided and need not address either the risk of such unauthorized disclosure or diversion (covered by NDP-1 procedures and OUSD (A&T) review) or the foreign policy implications of authorized use by the proposed recipient (covered by ATMG).

(3) Whenever the transfer of sensitive technological information is involved, the equipment components, types of documentation, or technical data containing the sensitive information are to be identified, and the reasons for considering them as sensitive information must be provided. Whenever the transfer of classified defense equipment or classified documentation is required, the classified information must be identified and the reasons for the classification provided.

(4) When release is within classification guidelines for disclosure to a specific government as stipulated in NDP-1, a separate paragraph should be included in the Sensitivity of Technology Statement (Table 703-6A) to show that a determination has been made that the recipient government can provide substantially the same degree of protection for the technology being released as the USG. That paragraph should also include a statement to the effect that the sale is necessary in furtherance of the US foreign policy and national security objectives as outlined in the policy justification portion of the notification.

(5) When an exception to NDP-1 has been granted for release of the classified or sensitive technology, a separate paragraph on the Sensitivity of Technology Statement should show the sale is necessary in furtherance of the US foreign policy and national security objectives outlined in the policy justification. Moreover, the benefits to be derived from the sale outweigh the potential damage that could result if the sensitive technology were revealed to unauthorized persons. Additional justification for granting the exception to NDP-1, such as that included in the request for the exception, should also be provided in that paragraph when such information is available.

(6) DSCA will forward the required Sensitivity of Technology Statement by a separate classified annex since the public disclosure of such information could adversely affect the foreign and defense policy interests of the United States.

b. AECA Sec 36(b)(5)(A) requires that a report will be sent to Congress when the sensitivity of technology or the capability of major defense articles (including electronic devices which, if upgraded, would enhance the mission capability of a weapons system), or services are enhanced or upgraded from the level of sensitivity or capability described in the original Section 36(b)(1) certification. This legislation also provides a continuing requirement for ten years following the original certification unless deliveries are completed sooner. Only such changes in the levels of sensitivity or capability as previously described in the Section 36(b)(1) certification provided to the Congress are required to be reported to Congress and this action must be performed at least 45 days prior to delivery of the article or equipment or the furnishing of the service. Accordingly, it is necessary for the IA to monitor programs before deliveries are made to determine whether enhancements or upgrades have occurred. Copies of the original Section 36(b)(1) certification may be obtained from the DSCA Comptroller. Should reportable enhancements or upgrades be identified, IAs will submit a report to DSCA (FMSCRD):

(1) Describing the manner in which the technology or capability has been enhanced or upgraded, including the significance of such enhancement or upgrade, and

(2) Providing a detailed justification for the sale of such enhancement or upgrade.

This report will be sent to DSCA (FMSCRD) in the format provided in Table 703-4 with a copy of the original Section 36(b)(1) certification attached. A minimum of an additional 15 days prior to delivery of the items to the Purchaser (a total of 60 days) is required for DSCA review and transmittal to the Congress. Rather than submitting multiple 36(b)(5)(A) reports to DSCA, the IA should consolidate and provide these reports to DSCA not less than 60 days prior to the forecast delivery of the affected equipment or services. Note that it is essential for the IA to maintain adequate documentation of each decision that justifies non-submission of Section 36(b)(5)(C) reports. A Section 36(b)(5)(A) report is not required before delivery of enhancements or upgrades previously identified in a Section 36(b)(5)(C) notification.

c. AECA Sec 36(b)(5)(C) requires that any enhancement or upgrade, the net cost of which meets or exceeds dollar thresholds for Section 36(b)(1) certification, as outlined in paragraph 70302.A.1.(a), must be treated as though it were a separate LOA. Accordingly, if the net cost of an enhancement or upgrade meets or exceeds Section 36(b)(1) thresholds, the IA will provide 36(b)(1) input that clearly describes the enhancement or upgrade, explains the level of sensitivity or capability that the change produces, and provides the estimated net cost of the change. The requirement to report enhancement or upgrade of previously described capability or sensitivity of technology applies only to items or services that have not been delivered or performed. When the capability was clearly described in the Section 36(b)(1) certification and there is a current request to purchase an enhancement or upgrade thereof, data will be provided on Table 703-6C only when the net

cost of the enhancement or upgrade portion reaches the Section 36(b)(1) dollar threshold as follows: @@

Equipment/Services To be Enhanced	Net Cost of Enhancement (Millions)
Major Defense Equipment	\$ 14 (\$ 25*)
Other Defense Equipment/Services	\$ 50 (\$100*)
Design and Construction Services	\$200 (\$300*)

\* Members countries of NATO, Australia, Japan, and New Zealand  
(that do not authorize a new sales territory that includes any country  
other than such countries)

@@ (E-Change 36, 19 Nov 02)

Statutory notification for enhancements or upgrades of sensitivity of technology should be submitted within 30 days of the request to purchase in the format provided in Table 703-6C to DSCA (FMSCRD) for review and submission to Congress. Such changes in enhancement or upgrade requiring 36(b)(5)(C) certification may not be implemented nor may a corresponding LOA, Amendment, or Modification be issued until the certification has been processed to the Congress and the required time period pursuant to Sec 36(b)(1) has elapsed. Deliveries of unmodified items on a case for which other items are to be enhanced or upgraded, such as unmodified spare parts, are unaffected and may continue to be delivered without interruption. Advance 20-day notifications prior to the statutory certifications will not be required for enhancement certifications.

#### C. **Price and Availability.**

**Exception.** No Sec 36(b) notification is required for the provision to a prospective Purchaser of separately stated P&A data even though applicable notification thresholds are met or exceeded.

### **70303 -- Criteria and Responsibilities for Congressional Submissions.**

#### A. **Processing Letters of Offer for \$50 Million or More or for Major Defense Equipment of \$14 Million or More, or for Design and Construction Services for \$200 Million or More.**

1. @@In compliance with AECA Sec 36(b)(1), Congress must be provided with notification of all "Letters of Offer" to sell any defense articles or services \$50 million or more (\$100 million or more for member countries of NATO, Australia, Japan, and New Zealand), any MDE of \$14 million or more (\$25 million or more for member countries of NATO, Australia, Japan, and New Zealand), or for design and construction services for \$200 million or more (\$300 million or more for member countries of NATO, Australia, Japan, and New Zealand), before such LOA is issued.@@ (E-Change 36, 19 Nov 02) DSCA has been designated to submit this notification to the Congress.

2. The DoD General Counsel has determined that the term "Letter of Offer" used in the AECA pertains to any proposed sale of defense articles or services to any foreign government or entity, whether or not the initial document (or set of documents) to be used to consummate

the sale is an LOA or a document bearing another name. If a document other than an LOA is used for this purpose, an LOA shall be subsequently executed to conclude the final details of the agreement unless an exception is authorized by the Director, DSCA. If there is a conflict between the terms of the agreement and the LOA, the agreement shall provide that the LOA will govern.

3. The statutory requirement for notification and the requirement for advance notification to Congress extend to any undertaking by DoD to establish an FMS transaction. This includes, but is not limited to FMS transactions embodied in the following:

- a. MOU for Coproduction of military items,
- b. Cooperative Research and Development Agreements, and
- c. Providing specific items or services under any existing general agreement, such as the Engineering Assistance Agreement entered into between the Army Corps of Engineers and the Saudi Arabian Government in 1965.

4. AECA Sec 36(b)(1) notifications to Congress are to be made when:

- a. An LOA under preparation is expected to meet or exceed the thresholds;
- b. An LOI, meeting or exceeding the thresholds, is authorized to be accepted by a DoD component; or
- c. @@An LOA amendment is prepared adding \$50 million or more (\$100 million or more for member countries of NATO, Australia, Japan, and New Zealand) to an existing FMS case unless such amendment results solely from identifiable inflationary cost increases, and to any amendment adding MDE valued at \$14 million or more (\$25 million or more for member countries of NATO, Australia, Japan, and New Zealand). These provisions also apply to any amendment which would increase the value of an existing case from under \$50 million (\$100 million for member countries of NATO, Australia, Japan, and New Zealand) to a value of \$50 million or more (\$100 million or more for member countries of NATO, Australia, Japan, and New Zealand), and any amendment which would increase the value of MDE in an existing case from under \$14 million (\$25 million or more for member countries of NATO, Australia, Japan, and New Zealand) to a value of \$14 million or more (\$25 million or more for member countries of NATO, Australia, Japan, and New Zealand). New LOAs will be processed to cover the new requirements unless such amendments are absolutely necessary and justified, in writing, to the Director, DSCA.@@ (E-Change 36, 19 Nov 02)

5. The following are examples of MDE FMS cases that must be notified under Section 36(b)(1):

- a. @@An FMS case for a single line item of MDE totaling \$14 million or more (\$25 million or more for member countries of NATO, Australia, Japan, and New Zealand).

- b. An FMS case for two or more line items of MDE totaling \$14 million or more (\$25 million or more for member countries of NATO, Australia, Japan, and New Zealand).
  - c. An amendment to an FMS case for additional units of MDE if that portion of the amendment totals \$14 million or more (\$25 million or more for member countries of NATO, Australia, Japan, and New Zealand).
6. MDE FMS cases that do not require notification under Section 36(b) are:
- a. An FMS case for one line item of MDE totaling less than \$14 million (\$25 million for member countries of NATO, Australia, Japan, and New Zealand). The case does not contain any other MDE; however, other defense items are included which bring the total case value to more than \$14 million (\$25 million for member countries of NATO, Australia, Japan, and New Zealand) but less than \$50 million (\$100 million for member countries of NATO, Australia, Japan, and New Zealand).
  - b. An FMS case for one line item of MDE totaling less than \$14 million (\$25 million for member countries of NATO, Australia, Japan, and New Zealand). The case does not contain any other MDE; however, spare parts, publications, and training associated with the MDE are included which bring the total case value to more than \$14 million (\$25 million for member countries of NATO, Australia, Japan, and New Zealand) but less than \$50 million (\$100 million for member countries of NATO, Australia, Japan, and New Zealand).
7. The following special considerations apply to FMSO cases:
- a. An amendment to an LOA for a FMSO I transaction, the result of which brings the total case value of that LOA and related amendments to \$50 million or more (\$100 million or more for member countries of NATO, Australia, Japan, and New Zealand), does not require prior Section 36(b) notification to Congress.
  - b. A FMSO I transaction for \$50 million or more (\$100 million or more for member countries of NATO, Australia, Japan, and New Zealand), or an amendment to a FMSO I transaction which adds \$50 million or more (\$100 million or more for member countries of NATO, Australia, Japan, and New Zealand) to the previous case total, or a LOA for FMSO II transaction for \$50 million or more (\$100 million or more for member countries of NATO, Australia, Japan, and New Zealand) does require prior Section 36(b)(1) notification to Congress.@@ (E-Change 36, 19 Nov 02)
8. The above exception to Section 36(b)(1) notification of FMSO I amendments is based on the following:
- a. FMSO I cases must be amended each year to adjust the dollar values based on requisition activities and new LOAs for this purpose are not practicable, and
  - b. FMSO I cases reflect customer equity in the US supply system and defense articles upon which these cases are based are not shipped to the country, but are drawn down against a corresponding FMSO II LOA.

**B. Issuing Letters of Offer for \$50 Million or More or for MDE of \$14 Million or More.**

1. The AECA provides that the LOA shall not be issued if Congress, within 30 calendar days (15 calendar days for NATO, NATO member nations, Japan, Australia, or New Zealand) after receiving the notification, adopts a joint resolution stating that it objects to the proposed sale, unless the President, in his notification to Congress, had certified that an emergency exists which requires such sale in the national security interests of the US.
2. If Congress adopts a concurrent resolution objecting to a proposed sale, the Director, DSCA will promptly notify the IA of that fact, seek the guidance of the President as to the course of action which should be taken, and advise the IA of the action to be taken.

**70304 -- Procedures.**

**A. Categories of Purchasers.**

1. The AECA makes a distinction between exempted purchasers (i.e., NATO, NATO countries, Japan, Australia, and New Zealand) and non-exempted purchasers (all others).
2. For exempted purchasers:
  - a. Advance notification is not required.
  - b. The waiting period after statutory notification is 15 days.

**B. State and Defense Relationship, Staffing Agreement, and Timing.**

1. Prior to any advance or statutory notification to Congress under the AECA, Section 36(b)(1), the DSCA must receive clearance from DoS for that notification.
2. Representatives of the State and Defense Departments have agreed that State policy deliberations, intra-agency coordination, and submission for Presidential approval (if required) and Defense preparation of the Sec 36(b)(1) notification, and the LOA all aim toward the common objective of completing these actions within 60 days after receipt of the prospective purchaser's complete request. The procedures established in this section are designed to meet these objectives.
3. Under normal circumstances the milestones indicated in Tables 703-1 and 703-2 should be met by all functional areas involved in the processing of Section 36(b)(1) notifications and LOAs.

**C. Submission of Supporting Data.**

1. The development of a Congressional notification must begin as soon as possible after receipt of the LOR from a foreign government. Concurrent with LOA or LOI preparation, the IA must submit notification data to DSCA (Attn: DSCA/COMPT-FM). A copy of the LOR is to be attached to the notification data prescribed in Section 703. If the LOR information has not been previously entered into the 1200 system, DSCA will make the entry.

2. Appropriate steps will be taken by DoD components to assure that the ten-day requirement to provide data to DSCA is met. Consistent with this requirement field inputs will be obtained by DoD components on an expedited basis as necessary. Additionally, cost estimates will include separate identification of the estimated dollar value of the MDE portion of the proposed sale. Rough order of magnitude cost estimates are acceptable for processing Congressional notifications. In the exceptional situation, if it is determined by DoD component that the ten-day requirement cannot be met, approval for extension must be sought from the DSCA Comptroller (Chief, Financial Policy Division).
3. Requests from exempted prospective purchasers require the following data to be submitted: Military Justification (see Table 703-4), Statutory Notification (see Table 703-5), and, as required, Sensitivity of Technology Statement (see Table 703-6A).
4. Requests from non-exempted prospective purchasers require the following data to be submitted: Notification as specified in Table 703-3, Advance Notification; Table 703-4, Military Justification; and, as required, Table 703-6A, Sensitivity of Technology.
5. To the extent possible for non-exempted prospective purchaser requests, the submission should also include the supporting data required to meet the statutory notification requirement as specified in Table 703-5. If these data can be provided during the initial submission, no further data are needed by DSCA to process the advance and statutory Section 36(b)(1) notifications. However, if all data are not available, the advance notification data only should be submitted to meet the ten-day data submission requirement.
6. To the extent that it is not possible for DoD component to provide statutory notification Table 703-5 data with the initial submission, these data will be forwarded to DSCA/COMPT-FP as early as possible but no later than ten days after the start of the 20 day advance notification period so that the follow-on statutory notification will not be delayed. Should it be impractical to meet the ten day deadline, approval for extension must be sought from Chief, FP, DSCA.
7. As the process evolves, the cognizant DoD component will be informed via message of each Congressional notification and provided with a copy of the letters which transmit the advance and statutory Section 36(b)(1) notifications to Congress.
8. Following completion of the 20 day advance notification period and after State clearance, the Director, DSCA, will provide the statutory Section 36(b)(1) notification of the proposed sale to the Congress. At this time, and after receiving express authority from the Comptroller, DSCA, and coordination with DSCA Regional, the IA will furnish a copy of the unsigned LOA to the purchaser as an enclosure to a transmittal letter in the format of Table 703-7 (Transmittal Letter for the Unsigned LOA). If Congress adopts a joint resolution objecting to a proposed sale, the Director, DSCA will promptly notify the IA of that fact, seek the guidance of the President as to the course of action which should be taken, and advise the IA of the action to be taken.
9. IAs will e-mail the PDF package to DSCA/COMPT-RM (e-mail address [loa-dsca@osd.pentagon.mil](mailto:loa-dsca@osd.pentagon.mil)), no later than the day after the completion of the statutory 15 or 30

day Congressional review period. Unless there are appropriate reasons to do otherwise, the IA assigned expiration date will allow for normal country review periods beyond the final date of the Congressional review. When the signed LOA and all subsequent amendments and notices are submitted to DSCA, they will include the identifying DSCA Transmittal Number used for the statutory Congressional notification (e.g., 94-15). This number will be shown on the message sent to DoD component advising of the dispatch of the statutory notification.

10. LOAs for \$7 million or more must be submitted to the Countersignature Branch with a TLW except for FMSO I and II cases, spare parts requisition cases, training cases, equipment and services cases where the source is DoD inventories, or programs for which termination liability requirements have been waived pursuant to the FMR.

11. Upon the expiration of the statutory 15 or 30 day waiting period the Comptroller, DSCA, will, if Congress has not adopted a joint resolution objecting to the proposed sale, countersign the LOA and return the original to the IA and forward a copy to DFAS-DE/I. Upon receipt of the DSCA countersigned LOA, the IA may forward the original signed LOA to the prospective Purchaser.

#### **70305 -- Classification.**

A. **Advance Section 36(b)(1) Notifications.** All data, information, and advance Congressional notifications of proposed sales to all prospective Purchasers will be treated as, and marked ***“Secret”*** or ***“Confidential”*** until the statutory notification is provided to Congress. The following classification guidelines apply to all inputs of supporting data required for advance notifications by the Financial Management Division:

1. If none of the data presented is classified, the documents will be stamped ***“Secret”*** or ***“Confidential”*** on the top and bottom of each page, all paragraphs will be preceded by “(U),” and the following marking will be shown on the bottom of the first page of each submittal:

***“Classified By SAMM (DoD 5105.38-M) (CHAPTER 7, SECTION 703) Declassify On Statutory Notification To Congress Unless Required Otherwise By Competent Authority.”***

2. If any of the data presented is classified, the documents will be stamped with the required level of classification on the top and bottom of each page, each classified paragraph will be marked with the required classification, and the appropriate “classified by” and “declassify on” data are to be entered on the bottom of the first page of each submittal. The marking indicated in paragraph 1.a. above will not be used on these submittals.

B. **Statutory Section 36(b)(1) Notifications.** As specified in the AECA, Section 36(b), each statutory notification provided to Congress is to be unclassified except that the dollar amount and quantity of the offer and details of the description of the defense articles or services offered may be classified. Furthermore, the justification may also be classified. However, if any of the items are to be classified, the rationale must be provided, fully justified, and the justification attached to the statutory notification data submission (Table 703-5). Supporting data inputs pertaining to statutory notifications will be submitted to DSCA/Compt-FM in accordance with the following classification guidelines:



1. If none of the data presented is classified, the procedures indicated in paragraph A.1. above are to be followed.
2. If any of the data presented is classified, the procedures indicated in paragraph A.2. above are to be followed.

C. **Sensitivity of Technology Statements.** Classification guidance indicated in paragraph A.1. or A.2. above is to be followed in submitting Sensitivity of Technology statement supporting data to the DSCA/Compt-FM.

**Table 703-1 -- Milestones for LOA Requests for Significant Military Equipment**

*Note: Not currently available -- Please refer to hardcopy*

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**Table 703-2 -- Milestones for LOA Requests for Non-Significant Military Equipment**

*Note: Not currently available -- Please refer to hardcopy*

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**Table 703-3 -- Advance Notification Data**

**(Classification)**

**Memorandum For (or Letter To)**      The Comptroller, DSCA (Attention: FMSCD)

**Subject:**      Data for a Possible Advance Section 36(b)(1) Notification (U)

(U) The following supporting data are provided in accordance with Chapter 7, Security Assistance Management Manual:

- a. (\*) Prospective purchaser:
- b. (\*) Purchaser's reference and date of receipt by implementing agency:
- c. (\*) Description and quantity or quantities of all articles and/or services under consideration for purchase (to include all MDE and non-MDE items, segregating the MDE items and indicating the MDE value):
- d. (\*) Estimated total dollar value of this case (to include all costs associated with this proposed sale e.g., packing, crating, handling, transportation, administrative changes, etc.) and the dollar value of major defense equipment, if any, included in the case:
- e. (\*) Description of total program of which this case is a part (including any associated weapons, training, construction, logistical support, or other direct supply implications not included in the case itself):

- f. (\*) Estimated value of total program of which this case is a part (including the estimated number and dollar value of any increments and the duration of the total program, if it is a multi-year project):
- g. (\*) Prior related cases, if any (including case designators, descriptions, values, acceptance dates, etc.):
- h. (\*) DoD component:
- i. (\*) Estimated date LOA will be ready for statutory notification to Congress:
- j. (\*) Case designator:
- k. (\*) A description of each payment, contribution gift, commission or fee paid or offered or agreed to be paid in order to solicit, promote or otherwise to secure such LOA. Description should include:
- (1) Name of person who made such a payment, contribution, gift, commission, or fee:
  - (2) The name of any sales agent or other person to whom such payment, contribution, gift, commission, or fee was paid:
  - (3) The date and amount of such payment, contribution, gift, commission, or fee:
  - (4) A description of the sale in connection with which such payment, contribution, gift, commission, or fee was paid:
  - (5) The identification of any business information considered confidential by the person submitting the information under the AECA, Section 39 to the Secretary of State:
- l. (\*) Sensitivity of technology contained in the defense articles or defense services proposed to be sold (see Paragraph 70302.B.3. of this section for definitions, Note 1 below for entry requirements, and Table 703-6A for details of required data and format):
- @@@m. @@ (deleted E-Change 36, 19 Nov 02)
- n. (\*) Third party transfer certification:
- (1) Name of the proposed third party recipient of these articles, training, or other defense services:
  - (2) Reason for the proposed transfer:
  - (3) Date on which such transfer is proposed to be made:
- o. (\*) Expected security classification of the case and LOA after statutory notification (If the case and LOA will be classified, cite rationale and attach justification.):

@@ p. (\*) A description of any offset agreement with respect to this sale is included in the enclosed confidential attachment (if applicable). [NOTE: See Table 703-3B for the proper format. This description should indicate whether or not a known offset requirement exists, whether the country has a standard offset requirement, and whether offsets provided will be direct or indirect and the estimated percentage of each. If there is no offset agreement at the time of the notification, that should be so stated.] @@ (Added 19 Jan 2000 and Amended by E-Change 31, 22 May 02)@@

@@ q. (U) Action officer's name, office, and telephone number (For individuals located in the Washington area provide commercial number, others are to provide DSN and commercial numbers.): @@ (Relabeled 19 Jan 2000)

***(\*) Indicate required security classification paragraph markings per Chapter 7, Section 703.***

Attachment (see Note 2 below.):

***Note: 1. Whenever a proposed sale involves no transfer of sensitive technology or classified information, the word "None" will be entered under this heading. Whenever the transfer of sensitive technology or classified information is involved, the words "See Attachment \_\_\_\_" will be entered under the heading and the data specified in Table 703-6 will be attached to the submission.***

***Note: 2. Attach the Military Justification (Table 703-4) and, if required, the Sensitivity of Technology Data (Table 703-6A), justification for security classification of the case and LOA after statutory notification.***

**Classified By:** (See DoD 5105.38-M, Chapter 7, Section 703.)

**(Classification)**

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#### **Table 703-3B -- Offset Information - Advance Notification**

**(CLASSIFICATION)**

Reporting of offset agreements in accordance with Section 36(b)(1) of the Arms Export Control Act (AECA), as amended, requires a description of any offset agreement with respect to this proposed sale. Section 36(g) of the AECA (as amended) provides that reported information related to offset agreements be treated as confidential information in accordance with section 12(c) of the Export Administration Act of 1979 (50 U.S.C. App. 2411(c)). Information about offsets for this proposed sale are described below:

-- General description of the performance required for the offset agreement. This description should indicate whether or not a known offset requirement exists, whether the

country has a standard offset requirement, and whether offsets provided will be direct or indirect and the estimated percentage of each. If there is no offset agreement at the time of the notification, that should be so stated.

Section 36(g) of the Arms Export Control Act (22 U.S.C. 2776) requires this information to be treated as “CONFIDENTIAL INFORMATION” in accordance with section 12(c) of the Export Administration Act of 1979 (50 U.S.C. App. 2411(c)). This information is exempt from disclosure under section 552 of title 5, United States Code, and shall not be published or disclosed without a determination that withholding is contrary to the national interest.

DERIVED FROM: SEC 12(C) OF THE EAA OF 1979 (50 U.S.C. APP. 2411(C))  
DECLASSIFY ON: OADR

(CLASSIFICATION)

@@ (Table 703-3B revised by E-Change 31, 22 May 02)@@

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**Table 703-4 -- Military Justification Data**

**(Classification)**

**Military Justification (U)**

(\*) One-sentence paragraph identifying all defense articles and/or services proposed for sale and the estimated total cost of the offer to be made to the prospective purchaser.

(\*) One or two-sentence paragraph describing broadly the contribution which the sale will make toward achieving the foreign policy and national security objectives of the United States.

(\*) A short paragraph on foreign policy and military developments in the region affecting the sale, whether comparable weapons exist in the region, and the effect of the sale on the regional military balance.

(\*) A short paragraph describing why the prospective purchaser needs the articles and how it intends to use them. This paragraph is to address the ability of the prospective purchaser to absorb the articles and the effect of the sale on the prospective purchaser's military capabilities.

If the sale was due in part to the results of a US survey, this is to be brought out in this paragraph.

(\*) Identification and location of the prime contractor or principal contractor, if not applicable, provide rationale. Indicate whether any offset agreement is proposed to be entered into in connection with this sale.

(\*) Estimate of the number of additional US Government personnel and US contractor representatives required in the territory of the prospective purchaser to implement the proposed sale and the number of months during which each category of personnel will be needed.

(\*) Any impact on US defense readiness which would result from the proposed sale.

***(\*) Indicate required security classification paragraph markings per Chapter 7, Section 703.***

***Note: The above outline is a guide for preparing the typical justification. It need not be followed rigidly when variations will produce a clearer presentation; however, each aspect listed is to be considered and addressed.***

**Classified By:** (See DoD 5105.38-M, Chapter 7, Section 703.)

**(Classification)**

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**Table 703-5 -- Statutory Notification Data**

Table 703-5 -- Statutory Notification Data (Page 1 of 2)

**(Classification)**

**Memorandum For:** The Comptroller, DSCA (Attention: FM)

**Subject:** Data for a Possible Statutory Section 36(b)(1) Notification (U)

(U) The following supporting data are provided in accordance with Chapter 7, DoD 5105.38-M:

- a. (\*) Prospective purchaser;
- b. (\*) DoD component;
- c. (\*) Case designator;
- d. (\*) Total dollar value (amount to be the same as that entered on line (13) of the LOA) and the dollar value of major defense equipment;

- e. (\*) Description and quantity or quantities of all articles and/or services under consideration for purchase (to include all MDE and non-MDE items, segregating the MDE items and indicating the MDE value);
- f. (\*) Expected security classification of the sale after statutory notification (If the sale is to be classified, cite rationale and attach justification.);
- g. (\*) Sales commission or fee paid, offered, or agreed to be paid (See Note 1);
- h. (\*) The impact of such sales or transfers on the readiness of US forces;
- i. (\*) The adequacy of reimbursements to cover, at the time of replenishment to US inventories, the replacement costs of items sold or transferred;
- j. (\*) If reimbursements are inadequate, impact and justification for such disparity;
- k. (\*) Sensitivity of technology contained in the defense articles or services proposed to be sold (see Paragraph 70302.B.3. for definitions, Note 2 below for entry requirements, and Table 703-6A for details of required data and format);

**Classified By:** \*(See Section 703)

**(Classification)**

Table 703-5 -- Statutory Notification Data (Page 2 of 2)

**(Classification)**

- l. (\*) Previously reported under DSCA(Q) 1138 Report requirements? If so, for which fiscal year quarter?
- m. (\*) Third party transfer certification;
  - (1) Name of the proposed third party recipient of these articles, training or other defense services;
  - (2) Reason for the proposed transfer;
  - (3) Date on which such transfer is proposed to be made;
- n. (\*) Security classification of the LOA after statutory notification (If the LOA will be classified, cite rationale and attach justification.);
- @@ o. (\*) A description of any offset agreement with respect to this sale is included in the enclosed confidential attachment (if applicable). [NOTE: See Table 703-5B for the proper format. This description should indicate whether or not a known offset requirement exists, whether the country has a standard offset requirement, and whether offsets provided will be direct or indirect and the estimated percentage of each. If there is no offset agreement at the

time of the notification, that should be so stated.]” @@ (Added 19 Jan 2000 and Amended by E-Change 31, 22 May 02)

@@ p. (U) Action officer’s name, office, and telephone number (For individuals located in the Washington area provide commercial number, others are to provide DSN and commercial numbers.). @@ (Relabeled 19 Jan 2000)

Attachments (See Note 3 below.):

***(\*) Indicate required security classification paragraph markings per Section 703.***

***Note: 1. Information supplied under g. shall be in the same detail as is required to be supplied under 1.j. of Table 703-3.***

***Note: 2. Whenever a proposed sale involves no transfer of sensitive technology or classified information, the word “None” will be entered under this heading. Whenever the transfer of sensitive technology or classified information is involved, the words “See Attachment \_\_\_\_\_” will be entered under the heading and the data specified in Table 703-6A will be attached to the submission if required and previously not provided.***

***Note: 3. If the prospective Purchaser is an exempted entity attach the Military Justification (Table 703-4) and, if required, the Sensitivity of Technology (Table 703-6A). Also, if LOA or other information related to the sale are to be classified per paragraph f. and/or n. above, attach the required justification.***

**(Classification)**

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#### **Table 703-5B -- Offset Information - Statutory Notification**

**(Classification)**

Reporting of offset agreements in accordance with Section 36(b)(1) of the Arms Export Control Act (AECA), as amended, requires a description of any offset agreement with respect to this proposed sale. Section 36(g) of the AECA (as amended) provides that reported information related to offset agreements be treated as confidential information in accordance with section 12(c) of the Export Administration Act of 1979 (50 U.S.C. App. 2411(c)). Information about offsets for this proposed sale are described below:

-- General description of the performance required for the offset agreement. This description should indicate whether or not a known offset requirement exists, whether the country has a standard offset requirement, and whether offsets provided will be direct or indirect and the estimated percentage of each. If there is no offset agreement at the time of the notification, that should be so stated.

Section 36(g) of the Arms Export Control Act (22 U.S.C. 2776) requires this information to be treated as “CONFIDENTIAL INFORMATION” in accordance with section 12(c) of the Export Administration Act of 1979 (50 U.S.C. App. 2411(c)). This information is exempt from disclosure under section 552 of title 5, United States Code, and shall not be published or disclosed without a determination that withholding is contrary to the national interest.

DERIVED FROM: SEC 12(C) OF THE EAA OF 1979 (50 U.S.C. APP. 2411(C))

DECLASSIFY ON: OADR

**(CLASSIFICATION)**

@@ (Table 703-5B revised by E-Change 31, 22 May 02)@@

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**Table 703-6A -- Sensitivity of Technology Data**

**(Classification)**

**Sensitivity of Technology (U)**

(\*) A description of the sensitive, as well as classified, components of any equipment, technical data, training, services, or documentation (to include the specific classification of each) is required to be conveyed in connection with the proposed sale. The input will address not only sensitive technological information contained in equipment components or technical documentation contained in the sale, whether classified or not, but also restricted information contained in classified components or classified documentation required to be released in connection with the sale. The equipment components, types of documentation, or technical data containing the sensitive information are to be identified and the reasons for considering it sensitive information should be provided. Whenever the transfer of classified defense equipment or classified documentation is required, the classified components or types of documentation containing the classified information are to be identified along with the reasons for the classification. A brief description should also be provided regarding anticipated consequences if the technology is lost to a technologically advanced or competent adversary.

(\*) When release of classified or sensitive technology is within classification guidelines for disclosure to a specific government as stipulated in National Disclosure Policy (NDP-1), a separate paragraph should be included to state that “a determination has been made that the recipient government can provide substantially the same degree of protection for the technology being released as the US Government.” That paragraph should also include a statement to the effect that the sale is necessary in furtherance of the US foreign policy and national security objectives as outlined in the policy justification portion of the notification.

(\*) When an exception to NDP-1 has been granted for release of the classified or sensitive technology, a separate paragraph on the sensitivity of technology statement should provide



information to the effect that: the sale is necessary in furtherance of the US foreign policy and national security objectives outlined in the policy justification and the benefits to be derived from the sale, as outlined in the policy justification of the notification, outweigh the potential damage that could result if the sensitive technology were revealed to unauthorized persons. Additional justification for granting the exception to NDP-1 such as that included in the request for the exception should also be provided.

(\*) As the final paragraph of the submission, one of the following statements must be included: “(C) release of this technology is within classification guidelines for disclosure to (indicate country) as stipulated in National Disclosure Policy (NDP-1).” or, “(C) An exception to national disclosure policy (NDP-1) was granted for (indicate country) on (indicate date) for the release of (indicate security classification level) information pertaining to (indicate item).”

**Classified By:** (See DoD 5105.38-M, Chapter 7, Section 703.)

**(\*) Indicate required security classification paragraph markings per Chapter 7, Section 703.**

**Note:** For explanation of terms and details see Chapter 7, Paragraph 70302.B.3.

**(Classification)**

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**Table 703-6B -- Enhancement or Upgrade of Sensitivity of Technology of Items Planned to be Delivered, Section 36(b)(5)(A) Report**

**(Classification)**

**Memorandum For (Or Letter To):** The Comptroller, DSCA (Attention: FM) (U)

**Subject:** Enhancement or Upgrade of Sensitivity of Technology of Item(s) Planned to be Delivered, Section 36(b)(5)(A) Report (U)

1. The following data are provided in accordance with Chapter 7, DoD 5105.38-M:

- A. (\*) Purchaser:
- B. (\*) DoD Component:
- C. (\*) Case Designator:
- D. (\*) Section 36(b)(1) Certification Number:

2.

A. (\*) Description of the manner in which the technology or capability has been enhanced or upgraded, including the significance of such enhancement or upgrade from the level previously described in the original Section 36(b)(1) Certification:

- B. (\*) Estimated net cost of enhancement or upgrade:
- C. (\*) Item(s) or service(s) to which change(s) apply (indicate whether MDE):
- D. (\*) Next planned delivery date of item(s) or service(s):
- E. (\*) Detailed justification for the sale of such enhancement or upgrade:

Attachment: Copy of original Section 36(b)(1) Notification.

**Classified By:** (See DoD 5105.38-M, Chapter 7, Section 703.)

**(Classification)**

***(\*) Indicate required security classification paragraph markings per Chapter 7, Section 703.***

**Table 703-6C -- Statutory Notification Data on Enhancement or Upgrade of Capability or Sensitivity of Technology**

**(Classification)**

**Memorandum For (Or Letter To):** The Comptroller, DSCA (Attn: FM) (U)

**Subject:** Data for Statutory Section 36(b)(1) AECA Notification of Enhancement or Upgrade of Capability or Sensitivity of Technology, Section 36(b)(5)(C) (U)

1. The following supporting data are provided in accordance with Chapter 7, DoD 5105.38-M, regarding items or services that are proposed to be added to a previously notified sale.

- A. (\*) Prospective Purchaser:
- B. (\*) DoD Component and Case Designator(s):
- C. (\*) Original Congressional Notification number and previously notified dollar value:
- D. (\*) Estimated net cost of enhancement or upgrade of capability or sensitivity of technology:
- E. (\*) Description and quantity of the items and/or services for which enhancement or upgrade of capability or sensitivity of technology is proposed (which items are being enhanced?): Include all major defense equipment, defense articles or services; or design and construction services, segregating them by dollar values:
- F. (\*) Description of enhancement or upgrade of capability or sensitivity of technology (what is being done to provide the enhancement or upgrade?):

G. (\*) Expected security classification of the sale of the enhancement or upgrade in capability or sensitivity of technology (if it is to be classified, cite rationale and attach justification):

H. (\*) Sales commission, fee, etc., paid, offered, or agreed to be paid on the enhancement or upgrade in capability or sensitivity of technology (if none, so state):

I. (\*) Identification and location of the prime contractor or principal contractor of the enhancement or upgrade in capability or sensitivity of technology (Also indicate whether any offset agreement is proposed to be entered into in connection with this sale.):

J. (\*) Estimate of the number of additional US Government personnel and US contractor representatives required in the area of the prospective purchaser to implement the proposed enhancement or upgrade of capability or sensitivity of technology and the number of months each category of personnel will be needed:

@@K. @@(deleted E-Change 36, 19 Nov 02)

2. Provide detailed justification including reasons necessitating the sale of the item(s) or service(s) in view of the sensitivity of such technology:

**Attachment:** Copy of original Section 36(b)(1) Notification.

**Classified By:** (See DoD 5105.38-M, Chapter 7, Section 703.)

**(Classification)**

**(\*) Indicate required security classification paragraph markings per Section 703.**

**Table 703-7 -- Transmittal Letter for the Unsigned LOA.**

Dear

Enclosed for analysis and planning purposes is an unsigned advance copy of the "United States of America Letter of Offer and Acceptance," for FMS case [case designator].

@@Section 36(b) of the Arms Export Control Act requires that notification be given to the Congress of the United States before the Department of Defense issues any offer to: (1) sell defense articles and services, the estimated total costs of which are \$50 million or more (\$100 million or more for member countries of NATO, Australia, Japan, and New Zealand), or (2) sell major defense equipment, the estimated total costs of which are \$14 million or more (\$25 million or more for member countries of NATO, Australia, Japan, and New Zealand).@@ (E-Change 36, 19 Nov 02)

The Department of Defense has transmitted the required notification of the enclosed proposed sale to the Congress on [date]. Assuming that the Congress does not object to this proposed sale, the enclosed LOA will be signed and issued to your Government by the authorized Department of Defense representative on or about [date]. In the event that the Congress should object to this proposed sale, you will be notified promptly of that fact.

Sincerely yours,

*\* For exempted Purchasers (Paragraph 70304), enter "15," for non-exempted Purchasers, enter "30."*

#### **Section 704 -- Case Management**

##### **70401 -- The Scope of Case Management.**

A. The IA will assign a manager to each LOA. The LOA manager is defined as that individual who is designated to accomplish the task of integrating functional and inter-and intra-organizational efforts directed toward the successful performance of an FMS case including closure after supply complete (see Paragraph 70401.D. below.)

B. Cases will vary in dollar magnitude and complexity. For example, a \$2 billion sale of a major weapon system is extremely complex. A \$100 million LOA for off-the-shelf replacement spares is less complex. While the two are different in complexity and dollar value, they both require emphasis and special management attention (even a very low value case may involve many different functional activities), and both are managed in accordance with well-defined guidelines.

C. The case manager is the focal point for management activity. The task of the manager is to ensure the objectives of the assigned case are achieved while adhering to applicable laws and regulations.

D. These objectives are threefold: (1) to successfully provide all articles or services included on schedule; (2) to provide these items within the stated value; and (3) to close the case as planned. Successful performance is realized when the objectives of the case are met.

E. The manager acts as the focal point for case activities by coordinating and integrating organizational actions and resources assigned to SA functions. Critical decisions involving managerial prerogatives must be coordinated with the case manager.

F. The manager has a role in each of the major elements of the case: acquisition, programming, logistics and finance, and shall be involved in every aspect of planning and executing assigned LOAs.

G. The case manager functions as an integrator and a generalist. There are no definite ground rules for determining where the manager is placed in the organization. This must be decided by the IA. Management begins during P&A and LOA preparation and should include total package concept/total package approach. Each FMS LOA must be assigned a manager no later than the implementation date.

##### **70402 -- Case Management Authority, Responsibility, Accountability, and Control.**

A. The case manager should be guided by existing policies and management directives, and activities should be governed by these regulatory documents. Direct communications with participating organizations is essential for day-to-day management; however, the manager's final authority is limited to the chain of command, which means that the manager must use the established lines of communication and authority.

1. ***Authority.***

FMS LOAs require concentrated management effort. The case manager should have the authority to take actions and task inter-and intra-organizational areas relating to financial, logistics, procurement, and administration matters in day-to-day operations. A Charter for Case Managers is at Table 704-1.

2. ***Responsibilities.***

The manager is responsible for all management aspects of the LOA (and resultant FMS case). Responsibilities include:

- a. Establish initial and long-range goals and objectives for execution.
- b. Prepare a master plan, including a plan for closing the case when it is supply complete.
- c. Develop a financial and logistics management plan.
- d. Approve plans of execution, scope, and schedule of work.
- e. Review and verify funding/program requirements.
- f. Integrate the program and logistics financial plan.
- g. Initiate requirements.
- h. Validate that costs are accurate and billed.
- i. Respond to requirements of counterpart managers, functional activities, and other supporting agencies in the resolution of interface or operating problems.
- j. Initiate, when necessary, working agreements with supporting activities as appropriate.
- k. Analyze performance in relation to required performance specifications.
- l. Maintain a complete chronological history (significant events and decisions).
- m. Provide status, progress, and forecast reports.
- n. Ensure DIFS and IA records are in agreement.
- o. Ensure that case records are retained in an identifiable location in accordance with the FMR and this manual. Comptroller, DoD issued a July 1988 memorandum directing that all documentation supporting a disbursement be retained indefinitely. Supporting

documentation will include those for recording obligations, proof of delivery/shipment, contractor/vendor invoices, and disbursements.

p. Ensure that schedules are accurate and timely.

The documents listed below reflect the type of work that the case manager ensures are prepared and submitted. Each of the documents shall specifically identify the manager by name and organization:

DD Form 2061	Case Master Plan Case Progress/Status/Performance Reports
DD Form 2060	Case Directives
Financial Analysis	Case Closure Certificate

### 3. *Accountability.*

a. Effective LOA management is dependent upon the performance and interaction of many organizations. If the performance of a supporting activity is deficient in regard to a LOA, the LOA manager may not be able to meet objectives. The manager shall initially attempt to resolve problems with the supporting activity. If this proves unsuccessful, then the problem shall be escalated.

b. The LOA manager is accountable for accomplishing the program on schedule within LOA value and for closing the LOA as planned. As a minimum, the manager is accountable for all documents listed below:

Case Master Plan -- especially closure  
Financial Analysis  
Case Directives  
Case Progress/Status Performance Reports

### 4. *Control.*

a. An appropriate master plan shall be developed which separates the LOA into management components, indicates significant activities requiring coordination, and, in general, establishes a time-sequence schedule for implementation. The plan will also specify the participants and their assigned responsibilities. It should be prepared by the manager at the onset of the LOA and updated as required.

b. The Case Master Plan will be tailored by the LOA manager to fit the complexity of the LOA. The Case Master Plan will consist of an LOA summary sheet as required by DoD 7000.14-R, Volume 15 and other documentation deemed appropriate. This is one control mechanism for the manager to ensure events conform to the plan. Other mechanisms to be used are:

- Periodic comparisons of actual versus programmed deliveries and associated costs.
- Updating the Master Plan's program, supply/delivery and financial schedules.
- Facilitating the flow of funds from the LOA to the supporting activities.

These control procedures are designed to identify and isolate problem areas. When problems are surfaced, corrective action initiated by the manager is essential to avoid potential program impacts.

c. Changes to the LOA or the implementation plan must be coordinated with the LOA manager. There may be situations whereby higher authority may preempt the authority of the LOA manager, such as when final negotiations with FMS purchasers or diverted deliveries. The preemptions should be promptly communicated to the case manager and potential impacts should be documented for future reference.

### **70403 -- Reporting Requirements.**

A. The case manager is responsible for keeping others informed of the progress, status, problems, and resource requirements of the case. The case manager must use the normal channels of communications to higher authorities and supporting activities to let them know what is needed and how the case is progressing.

B. Existing information and reporting systems should be used to the maximum extent possible in directing and controlling functions of case management. For optimum control of the case, DoD Components shall determine information needed for case management based on the needs of the case manager. The case manager should consider the following among other key items essential for the information package: logistics performance versus case specifications, availability of funds versus planned expenditures, actual cost of work performed versus budget cost of work performed, programmed values of work remaining versus funds available in the case, schedule revisions, and problems areas. A recommended listing of data elements is at Table 704-2.

C. The DoD Component shall ensure procedures are established with supporting activities to provide management information in support of the case. DoD Components should develop an internal document that allows Service senior managers to easily review the status of a case against established performance requirements and the LOA. The internal status document should address the following four areas:

1. ***Deliveries.*** Are deliveries on schedule as outlined in the LOA?
2. ***Pricing.*** Are the prices of the ordered articles and services for each line of the case compatible with the LOA estimates (within ten percent)?
3. ***Funding.*** Does the payment schedule accurately reflect financial requirements?
4. ***Closure.*** Can the case be closed within one or two years from supply completion date, depending on the type of case involved?

#### **70404 -- The Case Managers Role in the Assignment of Tasks.**

A. The case manager shall have direct communication from the case manager's office to key participants involved in support of a case. The direct line in communication is intended to facilitate the resolution of day-to-day problems. It is emphasized that the case manager must still operate within the organization's normal chain of command. Informal discussions may be necessary between the case manager and supporting activities, followed by appropriate documentation. Case managers cannot commit the case implementing agency except through coordinated written direction.

B. Tasks in the areas of acquisition, logistics and finance will be assigned to supporting activities using normal operating rules. The supporting activity which accepts the work assignment agrees to specific, measurable objectives and to detailed task descriptions, specifications, milestones, and budgets for the work assignment. The supporting activity is then responsible for the work effort in terms of meeting its objective on time and within the available budget.

#### **70405 -- Performance Specifications and Measurement Standards.**

A. The case manager's performance will be monitored by comparing actual output with that planned. The idea of assigning responsibility to the case manager for a time schedule, specific set of outputs, and funding limitation tends to establish a performance specification which is useful in judging the effectiveness of case managers. In other words, the case manager's performance specifications that could be considered for the purpose of measurement standards are primarily the three objectives:

1. To accomplish the case (performance) on schedule.
2. To accomplish the case within the case value.
3. To close the case as planned.

B. The case progress shall be reviewed on a recurring basis to verify that the case activities are proceeding according to planned events.

#### **70406 -- Formal Training to Meet Special Requirements of the Case Manager.**

A. The DoD Component must ensure that individuals assigned as case managers receive adequate training. The following DISAM courses, as applicable are suggested as a part of a training plan for a case manager:

- CONUS
- Financial Management
- Case Management
- Training Management

B. In addition, internal training should be conducted within the implementing agencies to cover the organization's FMS procedures and to rectify any perceived case management inadequacies.

#### **Table 704-1 -- Charter For Case Manager**



The case manager has responsibility for total case management from assignment through case closure. The case manager operates within the chain of command to direct the necessary action to satisfy case requirements. The case manager ensures that the case (performance) is accomplished on a schedule, within case value, and closed as planned. The case manager manages the case through reviews, visits, surveillance of reports, and correspondence. The case manager integrates the efforts and ensures timely resolution of problems surfaced by supporting activities.

**Table 704-2 -- Case Manager Data Elements**

**RSN Level Program**

- Direct Program Value
  - Section 21 (specify Publications/Training)
  - Section 22 (specify GFM/GFE)
- Indirect Program Value
  - R&D
  - Rental
  - CAS
  - Nonrecurring Production
  - Administrative Fee
- Accessorial Value/Costs
- Type of Financing
- Commitments/Obligations
- Transportation
- Performance Sources
- Requisition Status
- Contract Data

**LOA Closure Data**

- Reports of Discrepancies
- Repair Data
- Training Data
- Obligational Authority
- Commitments by Fund Cite
- Obligations by Fund Cite
- Physical Deliveries Quantity/Value
- Financial Deliveries
- Work-in-Process
- Expenditure Authority
- Payment Schedule
- Billed to Date
- Delivered to Date
- Collections
- Accounts Receivable
- Disbursements at LOA and Line Level

Note: This is a representative list of potentially useful data elements. It is not all inclusive and some data elements listed may not be required for a specific LOA.